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Sixteen essays pertaining to agricultural extension education were the basis of the 18th National Agricultural Policy Conference, held September 10-18, 1968, at Sequoyah State Park, Wagoner, Oklahoma. Individual topics of papers include leadership training, Iowa State welfare, low income area community development, an urban extension pilot program, the Marion (Indiana) Community School Program, United States and foreign policy, the world food situation, trade and international commodity programs, changes in agriculture, collective bargaining for farmers, market-oriented agriculture, land diversion and supply control programs, and institutions' role in rural poverty programs. (jf)

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Increasing Understanding of Public Problems and Policies

1968

A Group Study of Four Topics
in the Field of Extension Education

Extension Public Affairs Programs
United States' Role in World Affairs
Agricultural Policy Alternatives
Rural Poverty

AC 003 497

Farm Foundation
600 S. Michigan Avenue
Chicago, Illinois 60605

FOREWORD

These proceedings include the presentations used as the basis for deliberations at the eighteenth National Agricultural Policy Conference held September 10-13, 1968, at Sequoyah State Park, Wagoner, Oklahoma. The conference program was planned and arranged by the National Committee on Agricultural Policy, sponsored by the Farm Foundation with the endorsement of the Extension Committee on Organization and Policy, and with the cooperation of the Center for Agricultural and Economic Development, Iowa State University, and the Agricultural Policy Institute, North Carolina State University. Ninety-three representatives from 46 State Extension Services, the United States Department of Agriculture, and other interested agencies participated in the conference.

The purpose of the annual conferences has consistently been to assist Extension Service workers whose responsibilities include providing leadership for educational programs in agricultural policy and related public policy issues. This assistance includes: (1) timely and useful information provided by eminently qualified authorities, (2) opportunity to share techniques and materials developed throughout the nation during the year, and (3) "by-product" benefits that accrue through association and discussion during time not devoted to the formal conference program. The knowledge of participants is broadened, their creative capacity is stimulated, and their overall professional competence in dealing with ever more complex public policy issues is enhanced. The resulting educational programs are designed to inform responsible citizens regarding policy alternatives and equip them to participate more effectively in formulating beneficial policies based on intelligent choice.

The Farm Foundation, following its policy of close cooperation with the State Extension Services, financed the instructional staff, transportation of one delegate from each state, and the publication of this report.

The published proceedings of this and of past conferences are useful not only to state and county Extension Service educators, but also to teachers, students, and other citizens interested in increasing the understanding of the issues treated.

S. Avery Bice, *Chairman*
National Committee on Agricultural Policy

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PART 1

Extension Public Affairs Programs

LEADERSHIP TRAINING IN MICHIGAN

Arthur Mauch
Extension Specialist in Agricultural Economics
Michigan State University

During the past year, the first group of students in Michigan's Kellogg Farmers Study Program completed the three-year study-travel curriculum. This report will review the purpose, the implementation, and some of the results of this experimental program in leadership training which was made possible by the Kellogg Foundation. A recent report to the Foundation said:

> Now, more than ever, the need for informed, enlightened leadership in rural America is apparent. Many of the changes in the organization and industrialization of agriculture are continuing at rapid rates. The recent focus on rural poverty has made more visible a long-standing, but not well-understood problem. Changing political structures, urban housing, the struggle for civil rights by minority groups, and increasing U.S. involvement with and commitments to other countries of the world are all situations for which understanding and workable solutions can be obtained only through the efforts of aggressive, well-informed leadership.
>
> These are not problems of *only* rural people *or* urban people or a single state. They are problems of our society and the world. This, precisely, is what is least well understood by many citizens—leaders and followers alike.
>
> Against this background, an experimental program was begun three years ago. Financed by the W. K. Kellogg Foundation, the Kellogg Farmers Study Program is designed to help develop and encourage capable leadership for Michigan's agriculture and rural communities. In the program, a select group of young, potential rural leaders engage in a broadening educational experience. The two main objectives are: (1) to build a better understanding of the economic, social, and political framework of our society, and (2) to use this framework to analyze the complex problems facing agriculture, rural communities, the nation, and the world.
>
> The Foundation grant calls for three groups of 30 individuals to be selected in three consecutive years, and for each group to participate in a three-year program of study and travel. Each first-year participant spends approximately 25 days away from his farm business to attend study institutes and a state-wide traveling seminar. Second-year participants spend approximately 33 days in study and travel, including a two-week national traveling seminar. In the third year, participants spend about 45 days in activities which include a four- to six-week international travel experience.

Each year over a thousand individuals and organizations were invited to nominate candidates. The principal eligibility criteria were that participants should be successful farmers, approximately 25 to 35 years of age, who are committed to farming as their chief means of livelihood and who have demonstrated some leadership ability and shown definite signs of further leadership potential.

In the three years, 881 young farmers were nominated and 371 applications were returned (108 of these were renewals from previous years). Visits by our staff were made to 266 farms. Each year about 50 candidates and their wives were invited to a two-day seminar at Michigan State University for final interviews and orientation. From these, 30 were selected each year.

These 90 young farmers ranged from 24 years to 39 years of age and averaged 31 years. Twenty-nine had a college degree, 12 others had one to three years of college, and 34 a year or more in short courses at Michigan State University. Only 15 had not gone beyond high school. An effort was made to make sure that all sections of the state and all types of farms were represented.

A summary of activities for 1967–68 will give a reasonably good picture of the nature of a full three-year program.

GROUP III: YEAR I

The first year of the program for Group III included three week-long study institutes in December, January, and February, and a one-week traveling seminar in March. These activities required participants to be away from their farm business for a total of 21 days. Two two-day study institutes, which included the wives, were held in July and August. The attendance of Group III participants was nearly perfect.

Curriculum

The subject matter areas and the number of classroom hours devoted to each topic during the first-year program for Group III are summarized below:

ECONOMICS

Elements of the Pricing System	5½ hours
Review of the Pricing System	1½ hours
Money and Banking	4½ hours
The Federal Reserve System	1½ hours
Review of Money and Banking	1½ hours
State and Local Finance	5 hours

POLITICAL SCIENCE

American System of Government	5½ hours

Michigan State Court System	1½ hours
State and Local Government in Michigan	5 hours
Look at Michigan Government	1½ hours

Communications

Reading More Effectively	5 hours
Development of the Individual for Communications	10 hours
Group Communications	10 hours
Role of Mass Media in Society	2 hours

Sociology

Changing Composition of the Population	1 hour
Problems and Prospects of Farm Organizations	1 hour
Personal Dimensions of Poverty	2 hours
Problems of the Inner City and Their Relation to Rural America	2 hours
The New Mood in the Black Community and the Role of Whites	2 hours
The People Left Behind	2 hours
The USDA Interest in the Development of Rural Areas	1½ hours
America as a Mass Society	5 hours

Applied Philosophy

Ethics vs. Morality in Society	2 hours
Values and Beliefs in American Agriculture	4 hours

The Arts

Understanding Ballet for Enjoyment	1½ hours
National Ballet of Canada: *Swan Lake*	

Natural Resources

Water Resource Development and Use	1½ hours
The Challenge of Recreation Resources	1½ hours
Farm Recreation Enterprises	2 hours
Michigan's Timber Economy	2 hours
Fish and Game—Potential Income Producing Enterprises	2 hours

State Traveling Seminar

The day spent with state legislators proved to be the highlight of the state traveling seminar. Legislators were eager to participate, and several legislators attended a special luncheon with the participants. Each participant attended either a House or Senate session, and many were able to attend a morning committee meeting with their senators or representatives.

The sessions in Detroit were modified from previous years to cover more adequately the problems of the inner city. At the Brewster-Douglas Housing Settlement the group met with 30 to 40 people from the housing project. Two of the program participants and two people from the housing project made ten-minute presentations on (1) health and medical services and (2) education and youth opportunity. Small discussion groups were formed in which honest and direct questions were asked without embarrassment by either of the groups involved. This session was rated very high by the participants. The people in the housing project have requested that this be included in any future visits by such groups.

GROUP II: YEAR 2

The second year of the program included three week-long study institutes on the Michigan State University campus, a two-week national traveling seminar, and two two-day summer institutes in which the wives participated. Participants were away from their farms a total of 33 days to attend these sessions. Every participant attended at least a major part of every scheduled activity, and all 30 participants took part in the national traveling seminar.

Curriculum

A heavy emphasis on communications skills was continued in the second year. In other subject areas, the focus was primarily on national problems and policies. Participants were told about the possible international travel opportunities during the last year of the program because each participant will be paying approximately one-half of the travel cost.

Group I and Group II were on the MSU campus at the same time during January. This provided an excellent opportunity for them to get better acquainted and to share ideas. All meals were eaten together, and some of the sessions designed in preparation for international travel were attended by participants from both groups.

Subject matter areas included in the second year program for Group II and the number of classroom hours devoted to each topic are given below:

ECONOMICS

Background on Structure and Characteristics of American Labor	1½ hours

Some Current Issues in Labor-Management Relations	1½ hours
Visits with Labor and Management	5 hours
U.S. Monetary and Fiscal Policy	4½ hours
Sources and Uses of Agricultural Data	2 hours
Michigan Property Tax—Eliminate or Reform?	2 hours
A Case Study of the Milk Industry	2 hours
A Case Study in Market Performance and Group Action—The Tart Cherry Industry	2 hours
Marketing Cost Studies (participants were divided into five groups to research a case study problem in advance of the study institute, prepare a presentation with the aid of a staff consultant, and conduct a 1½ hour seminar on the topic)	15 hours
An Exercise in Decision Making for a Producers' Marketing Organization	3 hours
U.S. Agricultural Policy	5 hours

Political Science

The Federal Executive Branch: How Does It Really Work?	5 hours
Comparative Political Systems	5 hours

Applied Philosophy

Attitudes and Values in Modern Society	5 hours

Communications

Communications in Large Group Settings (participants spent 1½ days during one of the week-long study institutes in a concentrated communications session)	14 hours

The Arts

Cultural Expressions in Art	2 hours
Background for a Symphony	1 hour
Royal Philharmonic Orchestra	2 hours

Special Topics

Triple A to Triple F—The Challenge of World Hunger	3 hours
A Visit with Mr. Glenn Lake, President, Michigan Milk Producers Association	2 hours
A Visit with Mr. Robert Eggert, Marketing Research Manager, Lincoln Mercury Division, Ford Motor Company	2 hours

Technological Change in American Agriculture	2 hours
A Visit with Mr. Elton Smith, President, Michigan Farm Bureau	2 hours
In Search of the American Dream: A Geographer's Commentary	5 hours
A Visit with Mr. Glen Utley, Board of Directors, National Farmers Organization	2 hours
Long-Run Future of Food Marketing in the United States	2 hours
A Visit with Dean T. K. Cowden and Director George McIntyre	2 hours
Photography with a Purpose	1½ hours

National Traveling Seminar

The national traveling seminar consisted of three separate parts. In Washington, D.C., the group had contact with the legislative, judicial, and executive branches of government as well as with representatives of the American Farm Bureau Federation, the National Grange, and the National Farmers Organization. Each participant had an opportunity to spend time with his Congressman. Each Congressman met at least briefly with his constituents and also arranged for guided tours of the Capitol area and attendance at various hearings.

In the South, the focus was on seeing first hand some of the plans, projects, and results of TVA. Participants had a chance to visit with TVA personnel from various areas and to visit farms, fertilizer plants, and watershed projects.

The California portion of the trip was designed to provide a balanced look at agriculture, industry, education, and government. Participants had opportunities to meet with agricultural growers in various types of enterprises and also to visit grower organizations and processing and marketing facilities. The stop in Sacramento included a one-half hour visit with State Assembly Speaker Jesse Unruh and sessions with the chairmen of both the Senate and Assembly Agriculture Committees.

GROUP I: YEAR 3

The third year of the program for Group I included two three-day summer institutes during 1967, two week-long study institutes on the MSU campus, a five-week international traveling seminar, a one-day seminar on the MSU campus, and a three-day summer institute in 1968, in which wives participated. These activities required participants to be absent from their farm businesses for 50 days. There was perfect attendance throughout the year. Two dairy farmers officially dropped from the program at the end of the second year because of the difficulty of obtaining competent labor so they could attend institutes. Twenty-seven participated in the international traveling seminar which lasted either 33, 34, or 37 days depending on their itinerary.

Curriculum

The third-year curriculum for Group I drew heavily from the international trade and economic development areas. The curriculum also concentrated on the cultural heritage of vast groups of people through the avenue of religion. Considerable time was also spent in orientation sessions on the particular countries to be visited. The subject matter areas and the number of classroom hours devoted to each topic are shown below:

ECONOMICS	
World Trade Issues	1½ hours
International Trade	5 hours
Economic Development	10 hours
Industrialization of American Agriculture	1 hour
The European Economic Community and U.S. Agricultural Policy	3½ hours
POLITICAL SCIENCE	
U.S. Foreign Policy	5 hours
European Policies and Institutions	1½ hours
COMMUNICATIONS	
A Universal Communications Problem	3 hours
How to Organize an Effective Meeting	1½ hours
SOCIOLOGY AND RELIGION	
The World of Islam	3 hours
Hinduism	3 hours
Current Religious Trends in Christendom	1½ hours
Communism as a Religious Force	1½ hours
Buddhism	3 hours
EDUCATION	
European Educational Systems	1½ hours
INTERNATIONAL TOPICS	
European Farm Organization	1½ hours

South America—Its People and Problems	1½ hours
Land Reform in South America	1½ hours
An Overall Perspective of Asia	2½ hours
A Geographer Looks at Asia	2½ hours
European Group Orientation (an orientation to France, Germany, or Italy for the participants of the traveling seminar)	3½ hours
South America, Africa, and Asia Group Orientation (an orientation to the continental areas for the participants of the traveling seminar)	12½ hours

GENERAL TOPICS

Triple A to Triple F	3 hours
Taking Informative Pictures	1 hour
The Michigan Farm Bureau	1½ hours
Sensitivity Training	3½ hours

ART FORMS

Shakespearean Theater *Romeo and Juliet*	2 hours
Background for a Symphony Royal Philharmonic Orchestra of England	1 hour

Summer Study Institutes

One one-day institute was held soon after all groups returned from the international traveling seminar to exchange slides and to verify facts and information obtained during the trip. A three-day summer institute, in which wives participated, completed the third-year program for Group I. This institute was utilized for the exchange of information between groups and to crystallize the participants' thoughts concerning international trade and political issues in light of their overseas experiences.

International Traveling Seminar

The international traveling seminar was a program in which each participant spent approximately a week and a half in Europe and then approximately three weeks in developing countries in Asia, Africa, or South America. Each of the groups was exposed to traditional agriculture, marketing institutions, United States Agency for International Development personnel, government officials in the respective countries, and Foundation and University personnel. Each group had a cross section of experiences involving agriculture, agricultural life, government institutions, educational institutions, and industry in each of the developing areas.

Contacts for all of the programs were arranged by mail and turned out to be extremely good. In many cases MSU staff personnel or former staff members on location were able to make local arrangements. In other cases, Foundation personnel were available and did an excellent job in providing appropriate experiences and contacts for the group.

Undoubtedy, the high point of the participants' total experiences in the Kellogg Farmers Study Program has been the international traveling seminar. One participant summed it up succinctly in the middle of the rural areas of West Pakistan when he said, "You can talk about Pakistan, we can read about Pakistan, but we can never really believe or understand it until we see, feel, and smell it."

The participants were surprised not only with the friendliness with which they were received throughout the world but also with the frankness and willingness of people to criticize actions and motives of the United States. Their exposure throughout the world has increased their awareness of the position of the United States in world affairs and their responsibility as U.S. citizens.

Evidence of Change

One of the most apparent changes within the group during the three years was their ability to raise relevant questions. They appear to have a much greater willingness to listen to and evaluate another's point of view and refrain from making snap judgments. Group I had individuals at both extremes of the liberal-conservative spectrum. This helped compel the other participants in the group to consider every angle on any question. The participants seem to have recognized the complexity of many of the problems facing society and the fact that there are no clear-cut answers that satisfy everyone.

Above all, there appears to be more concern for others in the world and a willingness to consider participation in community activities. One participant has become very active on the agricultural committee of one of Michigan's political parties. As individuals, they have developed a more acute awareness of the "city," the "South," and the countries that they visited.

The 30 participants are as fully committed to agriculture as when they began. Of the 30 original participants, 28 are still farming full time—in almost every case, with a larger business than three years ago. Two participants have decreased their direct farming activities.

One has become an agricultural banker, yet continues the farming partnership with his father. The other now puts a major portion of his time into farm real estate sales.

The Group I participants wish to continue the study interests that have been generated by the program. They are considering a meeting once a year similar to the three-day summer institutes. These will be conducted at their expense. The group is also planning to develop some system of distributing relevant materials in the areas that have been studied.

FUTURE PROGRAMS

The original project proposal to the Kellogg Foundation provided for three groups of 30 farmers each to participate in programs of three years' duration, a new group beginning each of the first three years of the project. On the basis of the success of this project during its first three years of operation, it seemed desirable to continue the effort beyond the original three groups.

By preserving as much of the budget from the Kellogg Foundation grant as possible for direct support of the fellows, enough grant funds were available to anticipate financing a portion of the program for at least one more group. After discussing various alternatives with Kellogg Foundation personnel, it was decided that a fourth group of 30 Michigan farmers should be selected in the fall of 1968 to participate in the Kellogg Farmers Study Program.

While the general format of the program for the fourth group will remain similar to those for the first three groups, several changes are contemplated. One is to ask Group IV fellows to contribute to general program costs at the rate of $150 per year. This is partly to help finance the program, but also to provide additional incentive for participants to work toward receiving maximum benefits from the program. Fellows will also be asked to contribute toward the national and international traveling seminars, with the amount dependent upon how extensive a traveling program is mutually agreed upon. A modest program contribution toward travel is contemplated. Finally, in order to motivate fellows to participate more strongly in the home-study phase and to use more effectively the library-by-mail, a more highly directed, more tightly structured home study program is planned.

The extension administration in Michigan is now laying the groundwork for carrying the Kellogg Farmers Study Program out to the farmers. Several county agents have requested such a program —partly in response to urging on the part of present Kellogg fellows who see the need for making it available to more young farmers in their own communities.

A state committee is now planning such a program to begin in the fall of 1969 in perhaps three areas of the state and involving three to six counties in each area. The program will be patterned after the one in progress on a state basis. Since it will be self-supporting, it will be modified accordingly.

Those who have been closely associated with the program strongly feel that through this process it will be possible to develop a farm leadership that can adequately come to grips with the farm problems of the future and hold their own with the leadership of other segments of our society.

A WORKSHOP FOR RHODE ISLAND LEGISLATORS

Charles P. Gratto
Public Affairs Specialist
University of Rhode Island

A team approach to public affairs education is used in Rhode Island—despite the fact that there is only one public affairs specialist who spends about 40 percent of his time in public affairs. The size of a team ranges from two to five members. It includes the public affairs specialist and anyone else who wants a piece of the action. The forming and operating of a team are informal and rely on willingness of other staff members to be involved in public affairs education.

We believe that public affairs education should be the creation of a learning situation. It should be a way of getting "idea producers" and "idea users" together. We believe that the design of any particular learning situation is the joint task of the team and the clients.

With most groups, the planning of the program and a significant part of the program content is based on problem solving. One really valuable contribution the team makes to the partnership is its skill in helping groups define the problems, think through the structure of the problem, develop alternative solutions, and appraise the probable effects of various courses of action. Much of the instruction is done by persons specializing in subject matter fields that bear on the problem.

We usually have work in progress with one to three client groups at any one time, depending on how much effort a client requires of us. About half the time the contact between the team and the client is initiated by us.

In the past five years, clients have included: (1) leaders and residents of a suburban town, (2) leaders and citizens of a three-town rural area, (3) citizens who wished to form a small water district, (4) members of a regional organization of town councils, (5) citizens and leaders who wished to establish a Port Authority, (6) citizens and leaders who wished to protect a river basin area from pollution, (7) citizens, leaders, and officials who wished to form community action agencies, (8) the Rhode Island Association of Conservation Commissions, (9) civic groups, and (10) the Rhode Island legislators. The design of the educational programs has varied from a single workshop to intensive instruction over part of a year or even over several years.

To evaluate our work we ask: (1) Did we form a sound and fair partnership for quality adult education? (2) Did we help the client group to learn to understand its problems? (3) Did we provide an educational input that made the client able to do without us, and did we have sense enough to get out when that point was reached? A "yes" answer to all three questions means to us that we are getting our job done. It is risky to speculate on the impact of our educational program on the actions taken by client groups after they have worked with us. However, we are quite happy to claim at least partial credit for many of the social, economic, and physical changes wrought by our current and former partners in public affairs education.

FORMAT OF WORKSHOP

The idea for the legislators workshop came from our agricultural editor. A committee was formed. Once it was decided that the project was feasible, a planning meeting which would involve the committee plus members of the legislature was scheduled.

At the planning session the ideas on public affairs education given in the first part of this paper were presented to the legislators. Next a list of topics and a rough draft of a schedule for a one-day workshop were distributed as a starting point. One measure of legislator participation in the planning session is the amount of revision of the draft materials. In the case of the schedule for the workshop, the original document was scrapped and an entirely new format for the workshop was prepared. Of the topics listed, 50 percent were replaced by those suggested by the legislators.

The format of the workshop emphasized: (1) treatment of a great number of topics, (2) a single session for all participants as opposed to small group or other workshop techniques, (3) the use of reactor panels, (4) freedom to raise questions at any time, and (5) ample time for informal discussion.

The day began with a presentation of the five alternative state-wide land use plans then under study by the Deputy Director of the Rhode Island Statewide Comprehensive Transportation and Land Use Planning Agency. The strong points and weak points of each plan were detailed by the Deputy Director. When the alternative land use patterns had been detailed, the remainder of the day was used for reaction panels and general discussion.

There were three reaction panels of three members each. The first reaction panel appraised the state-wide land use plans in light of their impact on the human environment. It was moderated by the Planning Chief of the Rhode Island Development Council and included a member of the faculty of the University of Rhode Island Graduate School of Planning, a rural sociologist from the university, and a practicing Rhode Island city planner.

The second panel reacted to the land use plans, taking into account the effects on the biological environment. The panel included a wildlife ecologist, a biological oceanographer, and a resource economist, all from the University of Rhode Island.

The third panel dealt with the political and economic impact of the land use alternatives and included a Rhode Island town manager, a town tax assessor, and a resource economist.

After the members of each reaction panel had spoken, there was a question and answer period during which legislators could question any of the panelists. The formal part of the workshop began at 10:00 a.m. and ran until 5:00 p.m.

After a social hour and dinner, work was resumed and the discussion, this time on a very informal basis, continued until 11:00 p.m. Thirty of the 150 Rhode Island legislators participated in the workshop. While a greater number could have been induced to participate by using the good offices of the leaders of the House and Senate, no useful purpose could have been served by such a move.

As with our other public affairs work, the legislators workshop was handled by a team rather than by one person working alone. It differed from other programs in that the team included more of our highly placed administrators than have any of the other projects. We succeeded in making the planning of the workshop a joint effort in that the major decisions on format and content rested with the legislators. The problem solving input was present in the case of the legislators workshop. Through the presentation of alternative land use plans and the appraisals of these plans by the reactor panels and by the legislators, the structure of the problem of creating a high quality environment for Rhode Island people was explored and alternatives discussed.

As usual, the bulk of the technical material was presented by persons with no extension obligation. Of the fifteen people who presented information to the legislators, only one was from the extension service.

EVALUATION OF WORKSHOP

The workshop was held in October 1967. It is the author's opinion that in the 1968 session the Rhode Island legislature moved more confidently and surely in the field of natural resources legislation and that it used University of Rhode Island faculty members more freely and often to speak to the various legislature committees. That more natural resource legislation was passed than in previous years is a matter of record. Clearly, it would be foolhardy to claim that a single workshop was responsible for this but it would be equally foolhardy not to claim at least a little of the credit.

In summary, the legislators workshop was one of our more interesting and challenging efforts. It represents the formation of an educational partnership with an important client group. The philosophy and methods used in planning and operating the workshop were consistent with those that guide our work with other clients.

ISSUES OF CONCERN TO LEGISLATORS

The legislators raised a number of issues during the course of the workshop. Because a number of public affairs specialists work in industrial urban states and because others become involved from time to time in issues having to do with nonagricultural uses of land and water, it is thought that a listing of legislator concerns might be useful to this group. The issues are listed in the order in which they were raised. The author has taken the liberty of paraphrasing some of the questions.

1. Why is there not more multiple use of publicly owned land and water areas?

2. Is there a need for state-wide zoning? If so should the zoning follow the Hawaiian model, a city-state model, existing trends, or some other model?

3. What government entity should be expected to tie plans and theory to action and reality?

4. In addition to zoning, what other measures can be used to implement a state-wide land use plan?

5. Must there always be conflict among the state, local, and federal levels of government?

6. How can legislators gain access to research findings and correlate and digest them so that the probable effects of legislation can be determined?

7. What will be the effects of the pending bill to defer taxes on farm and forest land?

8. What criteria can be used to determine the appropriate mix of forest species and to set goals for the kinds and amounts of forest uses in Rhode Island?
9. What is known about designing places for people to live? What are the positive and negative effects of various population densities? What mix of densities is best? Is it good to crowd people into cities? What living patterns should we strive for?

The formal program dealt with land and water resources. However, during the social hour, dinner, and the subsequent informal session, numerous questions were raised concerning spending strategies for poverty programs, welfare programs, and educational programs. But that, as Rudyard Kipling would say, is another story—and hopefully the theme for another workshop.

DIMENSIONS OF IOWA WELFARE

Wallace Ogg
Extension Economist
Iowa State University

Does Iowa have people who are really poor? This question kept coming up during the early days of the War on Poverty and during the program on "Financing Iowa's Public Services." Welfare needs and welfare spending emerged as the government function where better understanding was most needed. An educational program on this topic was needed if Iowa State University was to fulfill President Robert Parks' commitment to "serve the needs of the citizens of the state."

The state Board of Regents agreed with Iowa State University educators that welfare would be the next discussion topic. The two other state institutions, the University of Iowa and the University of Northern Iowa, participated for the first time. Funds from the Higher Education Act helped pay expenses. An extension task force, with an eight-man governing board, started planning in 1966. Involved were extension administrators, economists, sociologists, editors, and specialists in family environment. The governing board conceived educational strategy, developed and produced materials, and organized and conducted the broad program.

Once the decision was made to conduct a state-wide program on Iowa welfare needs and welfare programs a planning team, called the "governing board," was established. It included, among others, an assistant extension director as chairman and educational operations team leader, a research team leader, a teaching materials and publications team leader, and a teaching team leader.

In reviewing the literature and data available on welfare in Iowa, four specific research needs emerged. These included:

1. The numbers and condition of dependent and disadvantaged families and individuals in Iowa.

2. An inventory of welfare programs in Iowa—both public and private.

3. The incidence of the tax and revenue burden on families and the incidence of the benefits of welfare services in Iowa.

4. The attitudes of Iowa leaders toward dependent families and welfare programs.

The extension service contracted with the Iowa State University Statistical Laboratory to conduct a household sample census survey. This provided an estimate of disadvantaged people in Iowa and rigorously defined and provided considerable detailed information about them.

An inventory of public and private welfare programs was conducted which accounted for all of the public spending on welfare and most of the spending by private welfare agencies in Iowa. A team of public finance economists did a study of the burden on families of providing for welfare services in Iowa and of the families who benefited from welfare services.

The leaders who were to participate in the workshops were identified and a sample surveyed concerning their knowledge of, and attitude toward, welfare programs.

A brief was prepared on Iowa laws which are designed to provide legal protection for a family against becoming dependent. This study included workmen's compensation, usury laws, and bankruptcy laws.

The teaching team prepared reference papers on eight areas of welfare need. These "dimensions of welfare" included old age, physical health, mental health, mental retardation, dependent children, low skills, unemployment, and crime.

These studies took about one year to complete and provided the information base for the teaching program.

THE EDUCATIONAL DELIVERY

In January of 1967 "sounding board" meetings were held in five locations in the state with professional welfare workers to acquaint them with the plans for the research and educational program we were calling Dimensions of Iowa Welfare. At these meetings welfare workers were alerted to the fact that the Board of Regents' institutions were going to conduct the program. They were given a preview of research and educational plans, a calendar of operations, and an opportunity to react and make suggestions about the program.

Just before the main educational program went to the field in the fall, President Parks invited the vice presidents and the deans in for a preview of the program so that they would be familiar with the program the university was presenting to the state.

The workshops for leaders were held in the fall and early winter of 1967 and 1968. Three teaching teams conducted workshops at 44 locations, with about 15 hours of teaching at each workshop. Workshop sessions were held the same day of the week for three consecutive weeks at each location.

In addition to the workshops, programs were presented to the governor's staff, the legislative interim committee, the Iowa Department of Social Services, and a number of other such interested groups.

While the workshops were in progress fact sheets for the self-administered discussion phase of the program were prepared. Some 30,000 persons participated in the discussion groups during the spring of 1968.

As a follow-up to these two main program efforts county staff members were trained for short presentations. Also, academic seminars were held at liberal arts colleges with social science teaching staff members to review the available data and the results of the specific Iowa research on welfare and to make available our teaching reference materials.

As a further follow-up the women of the Dubuque Archdiocese of the Catholic Church will hold 14 additional meetings this fall and will also conduct additional self-administered discussions.

EVALUATION

Evaluation, as with all public affairs educational programs, is difficult. Speculation is all that is possible.

One thing was very evident. The Dimensions of Iowa Welfare started from a very different base than Financing Iowa's Public Services. The Financing program was of keen interest to all middle-class property owners. They wanted and needed better facts and when they got them they acted. Iowa's tax system and support of public education has been revised. A system of 16 community colleges and vocational technical schools is in operation, and all school districts are part of a high school district. But with welfare it is different. People tend to be resentful that there are so many dependent families, and they have to unlearn some things if they are to use scientific knowledge for decision making. Two examples will illustrate.

For centuries in Western society dependent children have been a concern. In response religious and philanthropic organizations have built orphanages. Now scientific evidence indicates this is probably the poorest alternative if the goal is the development of the dependent child. In one research project dependent children with "bad mothers," with foster parents, and from orphanages were compared over time. The institutional children were a poor third and the "bad mothers" were somewhat ahead of the foster homes in raising self-sufficient, adjusted children.

Another example is how to deal with criminals. Traditionally, society was to be protected, crime discouraged, and the criminal punished by confinement in a penal institution for a time. It turns out in Iowa that at Anamosa if a young man who is married is confined as long as two years, his family will break up and he will become a confirmed criminal. Society must face this fact in deciding how to deal with first offenses such as embezzlement, bad checks, forgeries, etc.

Starting from a base of indifference and misinformation makes a real difference in the impact of a program on leaders and other citizens. On welfare we are probably just in the "awareness" stage.

COMMUNITY DEVELOPMENT IN A LOW-INCOME COUNTY

Gene McMurtry
State Leader, Resource Development
Virginia Polytechnic Institute

The slogan "helping people help themselves" is one that extension workers continue to believe in. All of us know, however, that it is a lot easier to help people help themselves when these people have some resources to begin with! The purpose of this paper is to discuss the ideas and successful approaches that were used in community development of a county with minimal resources and low income.

People in a community or county have a problem when there is a gap between what they want and what they have. The acuteness of the situation is, of course, directly proportional to the width of the gap. When attempting to narrow the gap it is always helpful to start with the concept that it is the *people's* problem rather than the *county's* problem. Then we think in terms of *individuals* rather than the nebulous "county" finding alternatives and answers. It is also helpful to think in terms of specific community problems instead of overall economic development of an area. It is better to concern ourselves with the sawmill closing in "Rocky Gap" than the depression of Appalachia.

WORK IN A LOW-INCOME COUNTY

The county on which I will report is very picturesque and beautiful. It is situated among the Blue Ridge Mountains on a high plateau where the climate is delightful. The Blue Ridge Parkway goes completely through the county. Even though the county is rich in scenery, it is poor in terms of economic standards. The latest figures list over one-half of its families with incomes of less than $3,000. During the decade of the 1950's the population declined 8 percent, while in the state as a whole it increased by 20 percent. The county ranks among the top three in the state having the largest percent of rural farm persons. In 1960 there were 57 percent rural farm persons in the county compared with the state average of 10 percent. Over one-third of its population must work outside the county. The median school years completed for persons over 25, including both male and female, was 7.5 years.

The road system is limited. Only one road carries bus service. The county is served by neither a railroad nor a small airport.

About one-half of the land area is in timberland, the county's most valuable natural resource.

The county's agricultural sector is made up primarily of small family farms, averaging 112 acres in size. Farming employs about one quarter of the population and is the principal source of income and employment. Most of these farm families know they cannot farm their way out of poverty. Thus, migration from the county to the more urban areas reflects frustration and unrest, not only among the low-income farmers but among all families that live in rural areas.

The county's industry consists of several small sawmills and two small garment plants. Combined employment for the two garment factories ranges from 450 to 550 persons. Each sawmill has a work force of less than twenty people. Total employment in manufacturing industries was about 600 workers in 1967. Both apparel and lumbering industries are relatively low-wage industries. The apparel industry employs mainly women while lumbering employs primarily men.

With declining employment in lumbering and agriculture, approximately *one-third* of the county's resident workers have found jobs outside the county. Most out-commuters travel to jobs thirty to fifty miles away.

In February 1968, the Virginia Employment Commission published the results of a study showing that of the 4,515 county residents 16 years of age and over three out of five had nonagricultural work experience. Over 1,200 said they would be available full time if they could find suitable employment in the county. Most of these workers are now working outside of the county. Some live outside of the county but would like to return should suitable employment become available.

People throughout the county have continued to express concern about what is going to happen to their community. They believe in their community and want to live there. Yet the county has continued to lose population because of the lack of job opportunities. People of this area have a fine reputation for being willing and conscientious workers.

THE LEADERSHIP SURVEY

The county extension staff was requested to see if help might be available from the Virginia Polytechnic Institute on the problems of the county. Leaders and citizens of the county wanted to improve their community but needed guidance and leadership to get rolling.

To begin with a reputational survey was made of the leadership in the county. This survey systematically identified the county and community leaders and provided insight into the problems of the county as seen by the leadership. The interviews were conducted with a VPI specialist serving as a member of each survey team.

The interview process helped the county leaders to think about and discuss county problems. The survey also thrust the extension staff into the middle of local concerns and problems. When the concerns of the county were discussed, agriculture and home economics problems were rarely mentioned.

The survey itself seemed to ignite the spark that the county staff needed to provide an effective communication environment for county leaders. This type of concern and participation in the solution of county problems provided a new image for the Extension Service.

While there are threads of common problems throughout all counties, those problems seem to be magnified in a low-income county. The process of interviewing county leaders and asking them to list the problems of the county as they saw them stimulated each individual to give additional thought to problem areas. In effect, the thrust of the survey technique helped create a desire among many of the community leaders to do something about problems of the county.

OPERATION BOOTSTRAP

The extension staff analyzed the identified problems and provided background information on them. Informational materials were put together on population projections, expected growth, and job opportunities.

The leadership in the county felt that an all-out effort should be made toward obtaining some type of firm which would provide employment for men in the county. To date, this goal has not been achieved; however, numerous specific problems are now being solved, which will affect the eventual attainment of this goal.

The citizens of the county have had a history of concern for their county and the land. The land is inherently productive if treated right. During the 1950's thousands of pine trees were set out and pasture land was fertilized as part of the overall agricultural development program. The Extension Service and the county agent played a major role in this type of development.

An early industrial development effort in the mid-1950's was successful in bringing two apparel factories to the area to utilize the available source of women workers. After that little if any progress was made in the county for about eight years.

Better Schools for the Children. Six years ago there were four small high schools in the county. Enrollment was declining in three of the schools. Today there is one consolidated high school, but each area continues to have a grade school. The single county high school is located at the county seat, a town of about 500 people. Much concern and distress was expressed by many citizens who felt that if the high school left their area, they would lose the connecting link that held their community together. Looking back, we realize what a truly heroic accomplishment it was to consolidate all the high schools. Today nearly everyone is enthusiastic about the consolidation effort, the increased efficiency, and the ability to provide higher quality education.

Consolidation of Churches. Following consolidation of the schools many people expressed the thought that the churches should be consolidated into larger congregations. In 1967 four small Presbyterian churches in the county consolidated with the larger Presbyterian Church at the county seat. None of the four could offer a full program to its members. Securing and holding pastors was becoming very difficult. The consolidation included actual legal merger, which allowed property transactions. The enlarged parish now has a minister, a director of Christian education, and a full educational program with excellent participation from the congregation.

Medical Facilities. When the old country doctor passed away, it was clear that a community effort would be required to provide medical service. The citizens discussed it, pooled their resources, and bought stock in a corporation. This corporation then bought land and built a medical clinic. Today there are two doctors in the county providing medical services to the citizens.

Recreation for Young People. For years the only source of recreation for young people other than school activities was participation in church or 4-H events. During the summer, children had a chance to go fishing. The highlight of each year was the opportunity to march in the Christmas parade! The young people obviously needed additional recreational facilities. The identified leaders working together as a development board put pressure on the governing body to allocate $10,000 to build recreational facilities at the high school and at each grade school in the county. The money was allocated, and when the facilities were built, it was possible to apply for Title I funds to provide equipment for the facilities as well as a full-time recreational director at each of the four schools. Those directors were employed this summer and were the first ever to be hired in the county.

Funds from the governing body also were used to build the tennis courts and basketball areas and to provide recreational centers for the young people. A surprising thing about the activities this summer was the large number of adults who came and participated in the evenings. Lights have been installed on both the softball field and the high school football field. This has provided additional interest. There is fierce competition for the first softball championship among softball leagues comprised of teams from churches in the county.

THE GOLF COURSE AND COUNTRY CLUB. Another identified problem in trying to attract industry was the lack of recreational facilities for the managerial staff of a prospective industry. A group of young leaders in the county seat took on as a project the establishment of a golf course, country club, and swimming pool. This group incorporated and secured an FHA loan for $250,000. With these funds a 210-acre farm, ideally suited for a golf course, was purchased. First a swimming pool was built, which has now been in use for two years. The golf course and clubhouse were finished this summer. The extension agent and staff members from VPI worked closely with this group and provided guidance for general layout and for development of golf greens and fairways. The extension agent has been a moving force with this group and is a member of their board of directors.

COMMUNITY BEAUTIFICATION. Another major problem in the county was lack of some place to put trash, resulting in unsightly litter along the roadside. With the help of the community beautification specialist at VPI to gain an understanding of what makes a community attractive, an educational effort was undertaken by several service clubs and garden clubs.

An outgrowth of an earlier effort resulted in a dump being provided by the town but none for the county. There was no place for dumping trash other than at the county seat. This problem was brought to the attention of the governing board of the county, and two sites have been selected and hopefully they will be put into operation next year. The town has also acquired a much larger site for a dump and has discontinued the burning of trash, using it for landfill instead.

SPRUCING UP THE TOWN. The last two years have seen more improvements in the individual appearances of businesses than had been seen for many, many years. The courthouse received a new sign. The county purchased land adjacent to the courthouse and developed it into a parking lot for county employees. The newspaper constructed a new building. A number of other businesses also improved their store fronts and interiors.

For the first time in the county's history, a subdivision was developed. As is true in most low-income counties rental property is scarce and there are few houses to be purchased. While only four or five subdivision houses will be built on a speculative basis, there is genuine hope that conditions will improve so that other houses in the subdivision will be built in the future. Employees of any new firm in the area would need places to live.

PURCHASING INDUSTRIAL SITES. The County Board of Supervisors is purchasing an eleven-acre site near the county seat for $1,000 per acre and is also planning to take options on two additional sites within a mile of the county seat. This is the first time that any such effort has ever been made in the county. Plans are to make water and sewerage available for each site. When improved, these sites will be made available to interested industrial firms immediately rather than discussing what might, perhaps, be available in the future.

ARTS AND CRAFTS FESTIVAL. The Home Demonstration Clubs sponsor a one-day arts and crafts festival for the county. Over 3,000 people attended the first one held in 1967. The festival also included entertainment such as hillbilly bands, greased pig contests, and races. The arts and crafts festival provided opportunities for the people to show many kinds of handmade and homemade articles. It helped stimulate active participation in community events and gave many individuals a renewed sense of pride in their work and their county.

SOIL SURVEY. Soils information will be provided for the subdivision development as well as for agricultural purposes. Much of the county has already been mapped, and additional work appears likely.

RESULTS: POOR FOLKS HAVE JOBS

A report from the state OEO office indicated that 860 families, or nearly 40 percent of the population, were living in severe poverty. This report was brought to the attention of the governing board with the statement that at least 600 families needed to participate in either the food distribution program or food stamp program. Told that it must participate in food programs for poor people, the county decided to participate in the commodity distribution program. A former county agent for twenty-five years was hired to carry out this program. After four months of concentrated effort he was able to find less than 100 families that qualified for the program. While the 1960 statistics show many poor people living in the county, the actual fact is that most have now found employment. Today the climate in the community is such that most of the menfolk are willing to overcome poverty by working even if they have to commute some distance from their homes.

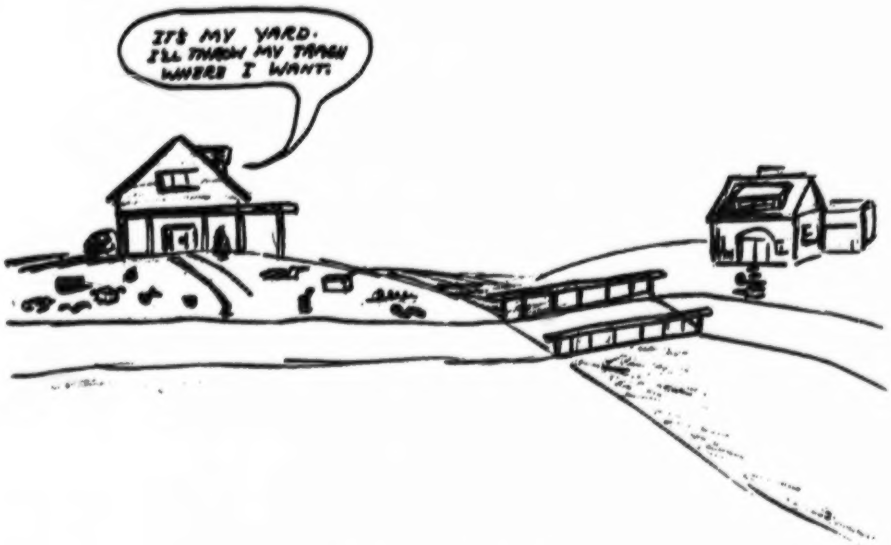
THE DECISION-MAKING PROCESS

The decision-making process involves a series of steps: identifying and defining the problem, appraising the resources, analyzing the alternatives, evaluating the consequences, making the decision, and implementing the decision in light of the stated objectives and goals. There are four types of decisions which may be visualized as follows:

Individual		*Group*	
(1) *Personal*	(2) *Aggregate*	(3) *Permissive*	(4) *Binding*

These four types of decisions are illustrated in the scenes below. Each scene represents a type of decision.

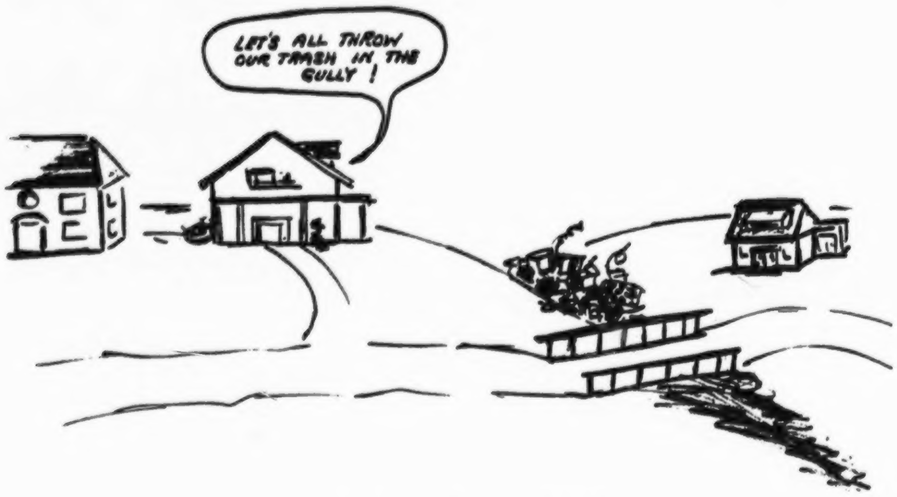
Scene I shows a yard littered with trash as a result of Joe's personal decision, *"It's my yard, I'll throw my trash where I want!"* The individual is exercising his right to make a personal decision.


IT'S MY YARD. I'LL THROW MY TRASH WHERE I WANT!

SCENE I. INDIVIDUAL DECISION — PERSONAL

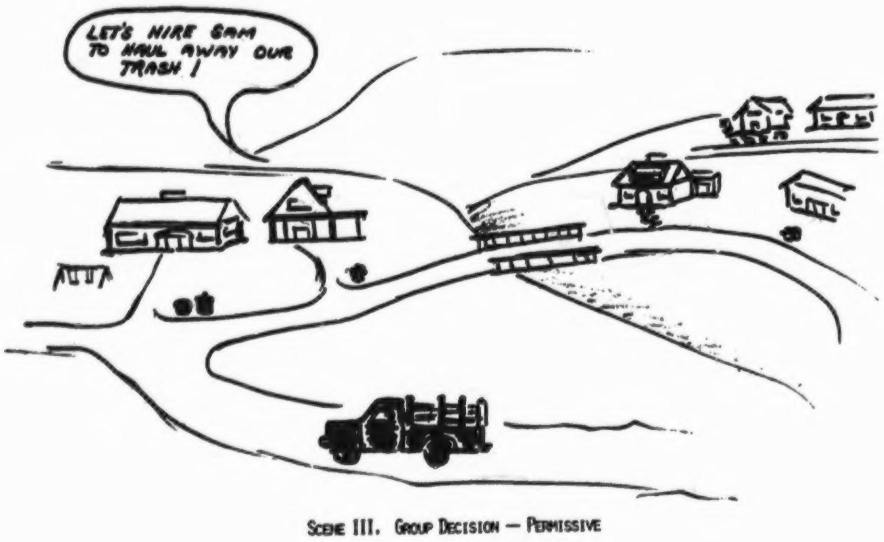
Scene II shows an adjacent gully being filled. Joe and his neighbors all feel that this is a better spot for the trash than the yard and say, *"Let's all throw our trash in the gully!"* This is an example of aggregated individual decisions.

A changing community may require these citizens to re-evaluate the results of their decisions. Alternatives to the trash-in-the-gully problem set the stage for scenes III and IV which illustrate decisions implemented through group action.


LET'S ALL THROW OUR TRASH IN THE GULLY !

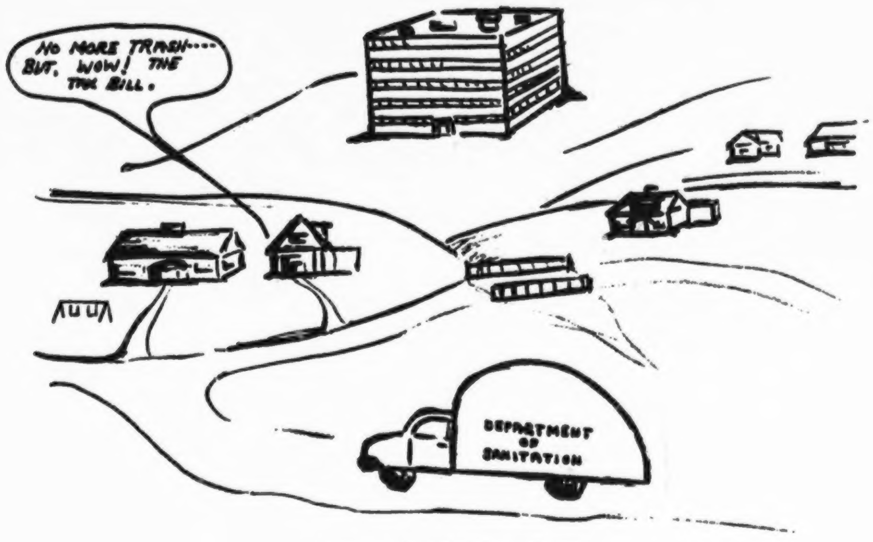
SCENE II. INDIVIDUAL DECISION — AGGREGATE

Scene III shows a setting with more houses and more people. It is no longer possible just to throw the trash in the gully. This stage of development has spawned a problem greater than can be solved by individual decisions. The group permissive decision allows the community to contract to have *"Sam haul away our trash!"* Each home owner has the opportunity to participate for a fee of perhaps $2.00 per month. While participation is voluntary, there may be some arm twisting if Joe's yard begins to look or smell too bad.


LET'S HIRE SAM TO HAUL AWAY OUR TRASH !

SCENE III. GROUP DECISION — PERMISSIVE

Scene IV shows the community with more residents and now even an apartment complex. A city owned and operated trash disposal truck picks up the refuse. A referendum was conducted on the trash disposal system including a bond issue, and it passed.



SCENE IV. GROUP DECISION — BINDING

The group decision is binding, *"No more trash—but WOW! the tax bill!"*

The above discussion puts into perspective the kinds of situations that the leaders of the community face. Each situation requires an effective information system about the problem. The amount of controversy increases as we go from Scene I to Scene IV.

Although an issue may be controversial, this should not deter an extension staff from providing factual, unbiased information necessary to help people understand it. This has been the function of the Extension Service and it continues to be. An effective community development extension agent is one whose knowledge and information are well organized and who effectively communicates with the various audiences in the county.

It is important that the information applied to a problem solution have a high believability rating in order that an individual or group will use it in the decision-making process. Historically the Extension Service has supplied information with a high degree of believability. This believability is a very precious thing which we must adequately understand and protect.

LEADERS AND THE COUNTY

A county development committee was appointed by the governing body of the county last year, and plans are being made for this group to form a nonprofit corporation with the backing and blessing of the county. Information concerning identified leaders in the county was used when this committee was formed. The extension agent injected this information at the crucial time when membership of this group was being considered.

Thus far, most of the problems that have required group decisions have been in the group permissive area. However, the basic pattern of obtaining information, leadership, and citizen involvement will also apply to group decisions that are binding.

If we can successfully solve each of these specific problems, then we have a chance to solve the overall development problem. A feeling of accomplishment gives additional impetus to working on other specific county problems.

The twelve members of the county development committee are providing guidance on the problems facing the county. This committee has appointed subcommittees appropriate to the kinds of problems being considered. Individuals who were put on these subcommittees were primarily drawn from the list of identified leaders that the extension agents had developed from the reputational survey. Some of the subcommittees are: Landsite Committee, Water and Sewage Committee, Education Committee, Recreation Committee, Beautification Committee, and Publicity Committee. These subcommittees have effectively drawn upon the influential leaders throughout the county to help them with their work on a specific problem. For instance, the Publicity Committee is preparing a brochure on the county. Also, this committee was able to get the State Division of Planning and the State Division of Industrial Development to use more up-to-date information in the state reports that are put out on every county in the state.

SUMMARY

Admittedly, it is difficult and trying to tackle the job of working with folks or communities having low incomes and few resources. Yet, if cobwebs can be shaken from people's minds, many things can be done to help such a low-income county. The county that has been described clearly justifies the time and effort devoted to this area of work.

If education is the process of changing the behavioral patterns of people, then extension education is that kind of interaction which brings to bear the decision-making process and the effect of this process on the behavioral patterns of people. The destiny of a county lies squarely in the face of economic forces of change. These forces make it very difficult for the leaders and citizens to control their own destiny. While the task is difficult, it is not impossible.

COLORADO'S URBAN EXTENSION PILOT PROGRAM

Coleen Brown and Lorna Michael
Urban Extension Specialists
Colorado State University

The objective of the Urban Pilot Project in a suburb of Denver is to develop and test informal educational programs with urban youth and young adults. The program focuses on those who have not previously been reached by conventional educational programs or who have special educational needs. Learning experiences are provided through small groups and individual contacts. The participants are mainly Spanish-American or Mexican-American. Their families tend to be employed as laborers or unskilled workers, and some are on welfare. The program is conducted from Colorado State University in cooperation with Adams County, which is part of the Denver metropolitan area.

BACKGROUND UNDERSTANDINGS

Our main concern is development of people. Whether we work with rich, poor, black, brown, red, white, young, or old people, the common denominator is people.

The first prerequisite in working with our people, or with anyone else, is to have a sincere understanding or appreciation of them and their situation—a positive concern to want to empathize and to see and to feel. We, as professionals, must have knowledge about human behavior, not to provide answers or solutions but in order that we may ask the right questions in attempting to understand. Our attitudes must be positive, acceptant, and nonjudgmental, so the people with whom we work may develop confidence in us. We are often asked by people wanting to know about our program, "What do these people want?" I would say, "They want what you and I want."

Louis Lomax stated this so descriptively in his book, *The Negro Revolt*. While he speaks for the Negro I feel his statement applies to all people: "We want the right to be ordinary, to be, as individuals, like everybody else; some good, some bad; some wise, some foolish; here and there a genius, now and then a fool."

The second prerequisite of our project is to base the programs on the participants' concerns and not on what we think they need. We start with them and their problems because *change begins where* *the people are* and *where their interests lie*. This means that we and the programs we direct must be flexible and ready to change as the people grow in confidence and in skills. The people in the program must be free to help develop those programs in which they are participating.

In his book, *The Structure of Freedom,* Christian Bay stated, "A person is *free* to the extent that he has the *capacity,* the *opportunity,* and the *incentive* to give expression to what is in him and to develop his potentialities."

THE CONCEPT

Any type of program aimed at education and development of people must take into consideration these basic understandings. The concept around which the Pilot Project was designed is applicable to all people regardless of age, race, income, or place of residence. It is based on the premise that as a person grows and matures through life, he is at the same time learning his way through life. All of the different things that a person must learn in a lifetime are known as the developmental tasks of life.

A developmental task is a growing up problem which arises because of changing demands placed on the individual. The tasks are a combined result of physical maturation, psychological development, and the interaction of the individual with society. Every person experiences similar developmental tasks from birth to old age, although not always at the same time. Successful mastery of each task at each stage depends upon the success that the individual had in the preceding stage. For example, in order for an adolescent to be reasonably happy and successful he must have mastered the growing up problems of middle childhood. Illustrative of this, one task a teenager must face is understanding, accepting, and capitalizing on his physique. If he is unable to become proud, or at least tolerant, of his body and able to use his body effectively, this may affect his immediate and future interpersonal relationships since they are so dependent upon his perception of himself and upon how others perceive him. Following is a list of developmental tasks.[1]

I. Infancy and Early Childhood (from birth to about 6 years)

1. Learning to walk.
2. Learning to take solid foods.

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[1] David Gottlieb and Charles E. Ramsey, *The American Adolescent,* Dorsey Press, Homewood, Illinois, 1964, and Robert J. Havighurst, *Developmental Tasks and Education,* David McKay Company, Inc., New York, 1952.

3. Learning to talk.
4. Learning to control the elimination of body wastes.
5. Learning sex differences and sexual modesty.
6. Achieving physiological stability.
7. Learning simple concepts of social and physical reality.
8. Learning to relate oneself emotionally to parents, family, and others.
9. Learning to distinguish right and wrong, and developing a conscience.

II. Middle Childhood (from about 6 to about 12 years)

1. Learning physical skills necessary for ordinary games.
2. Building wholesome attitudes toward oneself as a growing organism.
3. Learning to get along with age-mates.
4. Learning an appropriate masculine or feminine social role.
5. Developing fundamental skills in reading, writing, and calculating.
6. Developing ideas necessary for every-day living.
7. Developing conscience, morality, and a scale of values.
8. Achieving personal independence.
9. Developing attitudes toward social groups and institutions.

III. Adolescence (from about 12 to about 18 years)

1. Understanding, accepting, and capitalizing on one's physique.
2. Understanding, accepting, and achieving a masculine or feminine role, getting along with age-mates.
3. Learning to become increasingly self-directive with adults, and yet to work cooperatively with adults whose help is needed.
4. Learning about job opportunities in relation to realistic interests and potentials.

5. Learning skills necessary for meaningful and responsible relationships between self and others.
6. Learning beginning skills, knowledge, and attitudes necessary for marriage and family life.

IV. Early Adulthood (from about 19 to about 30 years)

1. Selecting a mate.
2. Learning to live with a marriage partner.
3. Starting a family.
4. Rearing children.
5. Managing a home.
6. Getting started in an occupation.
7. Taking on civic responsibility.
8. Finding a congenial social group.

V. Middle Age (from about 30 to about 55 years)

1. Achieving adult civic and social responsibility.
2. Establishing and maintaining an economic standard of living.
3. Assisting teenage children to become responsible and happy adults.
4. Developing adult leisure-time activities.
5. Relating oneself to one's marriage partner as a person.
6. Accepting and adjusting to the physiological changes of middle age.
7. Adjusting to aging parents.

VI. Later Maturity (from about 55 years onward)

1. Adjusting to decreasing physical strength and health.
2. Adjusting to retirement and reduced income.
3. Adjusting to the death of a spouse.
4. Establishing an explicit affiliation with one's age group.
5. Meeting social and civic obligations.
6. Establishing satisfactory physical living arrangements.

The developmental task becomes useful to the educator only when he uses it in the *timing of educational experiences*. Our understanding of the developmental tasks can help us listen for *the teachable moment*—that moment when the question is asked and all conditions are most favorable for learning.

The most meaningful educational experiences in our program have been those that have been the direct result of a question or concern of one of the participants. For example: One of the teenagers wanted to know how a bill was passed, so arrangements were made to visit the state capital and talk to some of the legislators. One of the girls who was already very thin asked, "How do I get rid of baby fat?" A discussion followed about body growth and maturity. Another girl asked, "How do you get venereal disease?" The next lesson covered the subject in depth.

Understanding the developmental tasks for each life stage can also aid the educator in anticipating the kinds of concerns that his audience may express, and it may help with selection of the most appropriate and most meaningful educational experience. For example, the developmental tasks tell us that an adolescent is ready and willing to assume more responsibility, so wouldn't it be appropriate to let him take over the planning of his own programs? He needs opportunity for active experiences which will provide him freedom with responsibility and freedom from dependence on adults and yet the opportunity to work cooperatively with adults. In planning programs adults can help youth see alternatives as each new decision arises and can be facilitators. Thus, the learner receives personal satisfaction from his active learning experience, and this provides continued motivation.

Evaluation of our efforts also becomes more feasible in that we are more cognizant of what we are attempting to achieve through program efforts. Our objective is consistently the developmental task. Once aware of the developmental need that is evidenced by a person's concerns, we can begin to watch for signs indicating that learning has taken place. If signs are not seen, we assume that we did not interpret the learner's concerns correctly or that we did not answer them adequately.

THE PROGRAM

The success or failure of the Urban Program depends on the nonprofessional program assistants and their ability to interpret the developmental needs of the people with whom they work. Thus, the program assistant is the key to tailoring the program to the learner.

Our program assistants, two employed full time and four part time, are all of Mexican or Spanish ethnic background and are full-time residents of the communities in which they work. They are obviously liked and respected by those who live around them. They can communicate not only with people in their community but also with professionals. They were selected for a number of reasons, but one of the prime reasons was their obvious regard for people of all kinds, and their ability to see and feel like the people with whom they work. Equally important is their listening ability. This is crucial to detection of the participants' real life concerns, and ultimately for recognition of the teachable moment.

Following are some of the things that happen in the development of a program.

1. The program assistant contacts a friend, a relative, a friend of a friend, or some of the kids she knows in the neighborhood. Any one of a number of questions may be asked to determine if they might be potential program participants:

"If you had a chance, is there anything you'd like to learn about?"

"Would you like to get together with some of the other kids once in awhile and do some things that *you* want to do?"

"Is there anything you'd like to do?"

"What kinds of things interest you most?"

"What bugs you more than anything?"

If the person's response indicates even a little interest, the program assistant may arrange to call on them informally again, or the program assistant may suggest getting together at a certain time or place with some of their friends. Teenagers' meetings are usually held at the home of one of the program assistants. The young adults meet at each other's homes or at the program assistants' homes.

2. Either with the individual or with the group, the program assistant attempts to find out what general area the learners are most interested in. This is done by using a brainstorming technique which draws out each individual's questions on a variety of subjects. Usually two program assistants work together; one listens and writes while the other does the talking. Eventually, the individual or group reaches a decision about where to begin.

Some of the areas covered by youth have been: personal development, sex education, getting along with parents, venereal disease, grooming, dress, law enforcement, drama (play acting), and camp (program planning, implementation, and counseling). The young adult participants have been exposed to educational experiences dealing with: early marriage relationships, family life, consumer credit and buying, furniture refinishing, child development, nutrition and physical fitness, economical cooking, home decorating, money management, sewing and clothing selection, and vocational testing and counseling.

3. When the program assistant and the participants have determined the priority program area, the next problem is to identify specific concerns. Sometimes the program assistants meet individually with participants and probe in depth until they have determined each individual's personal questions and interests on the topic. If the learners appear comfortable in a group, a brainstorm session is held again to compile a list of questions pertaining to the specific concern. The teenagers asked these kinds of questions:

"How come parents are so concerned about our physical changes?"

"Why do some parents let the girls stay out late?"

"Why don't they trust you?"

"Do parents have a right to peek in your private letters or mail?"

These questions led into the next session devoted to getting along with parents. Answers to the questions started immediately where the kids were and not where the professional thought their interest should be.

At one meeting the girls were discussing the physical development of girls and the kinds of body changes that take place during the teen years. This was followed by the obvious, "What happens when boys grow up?" The next session dealt with exactly this, and it provoked questions about venereal disease like, "How do you get it?" This was the next topic, and the group learned the answer.

Some of the young adults who were interested in the general area of child development expressed these questions to the program assistant:

"Why do some women have more patience than others with their children?"

"Why do some mothers favor one child more than others?"

"Why do children form gangs?"

Another young adult group voiced questions that eventually led to an in-depth human relations series, which is still nowhere near completion. Some of their questions were:

"Why does society set rules for people to follow?"

"Why do men go to other women?"

"Why is it hard to admit our own faults?"

The question technique allows the educator to identify the gaps between the learner's present knowledge and what he wants to know —thus, giving rise to the teachable moment.

4. The next step is for the program assistant to meet with one of the program directors or another resource person to decide what educational experiences are needed. The program assistant comes prepared to interpret the learners' interests as he or she sees them and with written questions. The program assistant and the professional decide on the content area to be covered—usually limited to one or two principal ideas—and what methods will be employed. Sometimes the program assistant is taught the material by a specialist from the faculty, business, or an appropriate agency, and she, in turn, teaches the group. Sometimes a specialist is carefully selected to do the job, and sometimes a field experience is organized. Before a final decision is reached, the participants are again consulted to see if the methods selected are agreeable. The program assistant makes most of the contacts with resource people, although at first this was not the case. The program assistant has been gradually trained for this role.

5. While the learning experience is taking place, whether it be a consumer credit discussion, a visit to the legislature, a planning session for a Mexican dinner, or a week at camp, the program assistant has certain responsibilities. These are:

a. Facilitating continuous involvement of the participants.

b. Observing both positive and negative reactions of the participants by watching what they do and listening to what they say.

c. Helping participants see the consequences of alternate choices, yet not making decisions for them.

6. The final step occurs when the program assistant meets periodically with the program directors to evaluate the project. The program assistant keeps a running log on each individual with whom he or she works. Any evidence—what is done or said—indicating a behavioral change is recorded. The program assistant discusses each bit of observed behavior with us, and we attempt to relate the behavior to one of the developmental tasks. The observed behavior

becomes the operational definition of the developmental task. The eventual aim is to collect the data on behavioral changes as they relate to the developmental task objective and use it to further improve the action program.

The developmental task concept is just one of many educational concepts that can serve as a workable and relatively foolproof tool for the educator in the community. It provides an easy yet effective means for program planning, and it also lends itself well to a practical type of evaluation. It provides assurance of objectives that are possible and learning experiences that are consistent with human development.

In summary, the approach used in the Urban Extension Pilot Program is as follows:

1. Understand the developmental task concept and use it as a listening framework.

2. Know self and learner and accept him.

3. Know what society expects of the learner.

4. Begin where the learner is, with his interests and problems.

5. Actively and confidently involve the learner in planning his own program.

6. Program assistant, resource person, and learner interact to plan appropriate learning experiences and short-term objectives.

7. Program assistant organizes learning experiences.

8. Learning experience takes place but remains flexible to change.

9. Program assistant, resource person, and learner interact to evaluate.

EMERGING CONCLUSIONS

1. Given the opportunity, the participants do choose educational programs appropriate to mastery of developmental tasks.

2. Given an accepting, nonjudgmental environment, participants tend to join and maintain membership in a group, participate openly, and assume responsibility for self and self-other relationships.

3. Given reliable information about participants, carefully selected resource people are both willing and able to communicate technical information to the participants.

4. Given flexible, slightly structured programs in which the re-

sources and participants are responsibly involved in all stages of program development, there is greater interest, participation, and continuity of program, with more significant learning as a result.

5. Given full development of the project concept, documented effectiveness with assessment of failures and successes, and face-to-face contact with participants and staff, legislators and other key policy makers will not only provide financial support but will actively seek out new avenues for financing and commitment of resources.

THE MARION, INDIANA, COMMUNITY SCHOOL PROGRAM

Arden E. Russell
Director of Community Education
Marion Community Schools

Two cities which have adopted the principle that "it is better to get the slums out of the people than to get the people out of the slums" are Flint, Michigan, and Marion, Indiana. Flint started its program in 1935 with the help of Mr. C. E. Mott. The people of Marion copied the idea from the Parkland School in Flint and started with help from the United Community Service. Both started small, Flint with five schools and Marion with only one. This discussion explains how the Parkland School program was adopted by the people of Marion, Indiana.

The community school program of Parkland School parallels very closely for an urban area what the Cooperative Extension Service has done for the people in rural areas. The philosophy is the same—educational programs to help local people meet their needs. The community school director corresponds very closely to the county agent. The family counselor corresponds very closely to the home agent of the Cooperative Extension Service. Volunteer leaders are developed and used wherever possible. As with the Cooperative Extension Service, costs are borne by multiple sources.

THE EXTENSION EDUCATION PROGRAM

Our first decision was to concentrate on the development of one "demonstration school" rather than try to get the system adopted for all schools in Marion.

The steps taken to get the people of Marion to implement a demonstration community school were:

1. The Parkland School program was explained to each superintendent of schools in Grant County, Indiana.
2. Reports of the Parkland School effort were given to service and civic clubs during their meetings in Marion, as well as to church, social, and business groups.
3. The Parkland program was explained to many community leaders through individual contacts.

4. The Superintendent of Marion Community Schools asked that the report be given to the Board of School Trustees.
5. Several of the Board members, as well as representatives from local business and social agencies, visited Flint and the Parkland School.
6. The United Fund Board was asked (by local leaders) for a grant to start the program. The grant was awarded.
7. The Marion Community School administration appointed a physical education teacher as a half-time community school director.
8. A city-wide Advisory Committee was also appointed. It included United Fund Board members, school officials, and the social agencies.
9. The part-time director was sent to Flint for one month for in-service training. He also attended a two-week workshop in Community Education at Ball State University.
10. We were ready to establish a demonstration program in one school, Washington Junior High!

Here are the steps that were taken to implement the program once it was approved:

1. All school administrators were visited and the programs, goals, and objectives explained to them.
2. All city social agency executives were visited to explain the program to them, as well as to hear of their programs and suggestions. (The United Fund was financially supporting most of them, as well as furnishing a grant to the school.)
3. Local community leaders in the Washington Junior High attendance area were visited and asked what they thought schools should be doing and who else should be visited.
4. Local leaders in the school area were identified and an Advisory Committee was formed.
5. This first Advisory Committee formed an Advisory Council and became its first executive board.
6. After one more year of operation, two teachers were appointed part-time community school directors to expand the demonstration to two more schools.
7. Some fifty classes, courses, and activities from art to adult basic

education and cake decorating have been included during the past year.

8. The more recent additions to the program include: a self-improvement course (a sensitivity training exercise); a reading course for high school students who are potential dropouts; a domestics course for ADC mothers; urban 4-H Clubs; school-sponsored Scout troops; a community counselor (a para-professional home demonstration agent); two half-time community school directors and one full-time community school director; and several activities started by cooperating principals.

BUDGETS AND STATISTICS

The cost of last year's program at Washington School for eleven months of operation was as follows:

Instruction	$ 5,789
Administration	5,200
Instructional supplies, office supplies	500
Total	$11,489
Income from class fees	2,045
Net cost	$ 9,444

Budgets for the total program for various years are as follows:

1965–66	$11,000 total (for one school): $8,000 from the United Fund, $3,000 from the school
1966–67	$31,000 total (for one school plus limited activities at two others): $8,000 from the United Fund, $14,000 from the school, $4,000 from Purdue University, and $5,000 federal funds
1967–68	$64,000 total (for three schools): $52,000 from the school, $4,000 from Purdue University, and $8,000 federal funds
1968–69	$80,400 total (for three schools plus limited activities at nine others): $52,000 from the school, $5,000 from the Mott Foundation, $4,400 from Purdue University, and $19,000 federal funds.

WHAT HAS HAPPENED TO MARION

1. Dozens of people have written the school administrators to tell of their appreciation.

2. The business community has endorsed the community education

program in Marion and are individually urging its continuation and expansion.

3. Principals claim that children's attitudes toward school improve when parents attend classes at night.
4. A three million dollar bond issue for school buildings succeeded with no remonstrance. There was a remonstrance five years earlier.
5. For the first time, twenty-one out of twenty-three school buildings had summer school activities. Previously three buildings had been open in the summer.
6. One principal had her own summer community school, donating her time and using volunteer help.
7. Social agencies have increased their service to the community in the past two years. They seem to have new life.
8. Window breakage in one school dropped from $940.00 to $3.00 for one year.
9. A group of community leaders who were consulted regarding use of Title I of the Elementary, Secondary Education Act insisted these funds be used for community education.
10. The police department, YMCA, YWCA, Boys Club, Welfare Department, Family Service Society, all have cooperative activities with the school for the first time.
11. One community organized a clean-up campaign as a result of the community counselor's efforts.

WHAT HAS HAPPENED TO THE PEOPLE

One man claims that he and his son developed a greater understanding for each other by joining together in the hobby of lapidary. His son had caused him quite a bit of concern in the past. A husband and wife who learned to play bridge in one of the classes claim that they actually have enriched their married life since their children have been raised and have left their home. A woman doctor recommended that one woman get into an activity such as community education classes to occupy her mind as she went through a difficult stage in her life. The woman says that taking sewing and associating with women of similar interests has made her life happier and richer. She plans to continue next year.

Almost every student testifies to the value of the basic education program. One man is happy because he is able to read the Bible, another because he can read to his children. A woman who has raised several children who are college graduates says she can now write letters to them. Another man claims that he has increased his income by getting a better job. Incomes of other participants have risen as a result of the adult basic program.

Six ADC mothers are now working as full-time domestics. Only 18 have taken the domestics course.

One of the instructors in the community education program who was a social science teacher claims that the community education classes offered at Marion are mental maintenance programs to help healthy people keep healthy.

SUMMARY

The Cooperative Extension Service embraces the total community: its needs, its problems, as well as its opportunities and resources. It attempts to help the people find workable solutions.

The community school does the same for the people of a school community.

It is hoped that every school unit in Marion will soon become a community school so that in Marion, Indiana, we can say that *the schools embrace the total community*: its needs, its problems, its opportunities, and its resources, and helps the people find workable solutions. Then people will no longer say that the schools stand as an island of culture in a sea of need. Every community in America today stands at one of the crossroads that free countries reach in their progress. The schools can and should be a party to solving these problems of progress rather than remaining a part of the problem.

The Cooperative Extension Service has been instrumental in moving people from the farm to the city. It should now transplant its educational philosophy to the city to serve those who left the farm.

PART II

United States' Role in World Affairs

AMERICA IS SWINGING—INWARD

Philip L. Geyelin
Editorial Page Editor
The Washington Post

Clearly our political and military role in world affairs needs reassessing. Clearly a lot of people and a lot of members of Congress are unhappy with it—unhappy with the way the war in Vietnam is going, unhappy with our inability to do anything about the invasion of Czechoslovakia, unhappy about the sad state of NATO, unhappy about the explosive confrontation in the Middle East, unhappy about the division of priorities between our role in the world and our crying needs at home. A lot of people wonder whether we have our priorities straight in our minds, whether we are really dealing with first things first.

Mr. Nixon says that the answer for all this is new leadership, and so, for that matter, does Vice President Humphrey. We are going to get new leadership and the question is whether, with new leaders, we are going to get radically new policies. That is what I would like to talk about—the opportunities and the limitations on new foreign policies that await any new President seeking first to reassess and then to reorder the role of the United States in world affairs.

The era of Lyndon B. Johnson is over. Between now and January 20 there will of course be developments abroad which will engage President Johnson's attention. There may be major initiatives from the President himself—a last ditch effort to meet with the Russians in an attempt to at least begin negotiations on new arms control measures. I would not exclude a complete halt in the bombing in North Vietnam, in an effort to get really substantive negotiations going before election day. But these would be no more than logical extensions of what President Johnson has been trying to do for some months—indeed for several years. For good or bad, the Johnson record has been very largely written. The evidence of this is in one of the less publicized activities now under way in Washington: a concerted effort, government-wide, to pull together the record, to collect the papers and the documents and the cables, and to try to arrange the history of this administration in foreign affairs, before the historians get at it.

This is a particularly appropriate time to reassess our role in the world because we are, in a sense, in a state of suspended animation and indeed really have been since the 31st of March, when the beginning of the end of the Johnson era was proclaimed by the President's withdrawal as a candidate to succeed himself. More than that we are, I strongly suspect, at one of those curious turning points in the evolution of our foreign affairs that are not recognized at the time and are not even necessarily recognizable as such except in a much longer perspective, with the benefit of hindsight. The two conventions could have made this turning point much more dramatic, of course, if they had nominated, let us say Nelson Rockefeller in Miami, or Eugene McCarthy or Senator Edward Kennedy or, if Fate had not intervened, Senator Robert Kennedy.

There is going to be change, nevertheless, and the reason may have less to do with the identity of the two leading candidates than it has to do with the state of the world and with what has already been done within a very brief period by President Johnson himself. It also has to do with such intangibles as the mood of the American people and the political tide which seems to be flowing toward more conservatism, toward less foreign entanglement, toward a more modest role, all around, for the federal government, toward states' rights and local options.

There is an inward turning, encouraged by the urgency of problems at home, by the revolt of the youth and the disadvantaged. There is a general feeling that like a ship battered by storm we ought to return to port and refit before setting forth to tackle the problems of the world on anything like the scale we have been attempting in the postwar period.

Many things are contributing to these changes in collective attitudes, and it is not necessary to identify all of them in order to make the central point that we are confronting a period of change. It is necessary, in fact, to examine only one element—the touchstone of our current foreign policy, the central issue, the chief determinant of where we are going, the war in Vietnam. The main reason it seems reasonable to predict major changes in our role in the world, regardless of who the next President is, can be found in the simple fact that we have already made a major strategic change in how we have been conducting the war in Vietnam. This change inevitably and inexorably will force upon the next President even more fundamental revision of our objectives and our policy in Vietnam and all over the world, in all the places where new Vietnams could occur.

Presidents have a natural tendency to conceal this sort of thing. They abhor the suggestion that they have changed anything because this implies error; it suggests that what they were doing was wrong.

But in a certain basic, irrevocable sense, President Johnson last March and April changed everything in Vietnam.

It came about, I would argue, in the conjunction of two events. One was the Tet offensive in Vietnam. The other was the first Presidential primary, in New Hampshire. The first proved both the limits of what we could hope to achieve by a restrained use of military force and the limits of what the enemy could achieve. It is idle to argue who won. Nobody won. That is the point. The enemy showed that they could create an enormous amount of havoc at an enormous price. We showed that we could withstand this but that we probably could not prevent it from happening again if the enemy is prepared to pay the price.

So the futility of trying to win in the old conventional way was demonstrated, and with it our vulnerability as well as that of the enemy. What was also demonstrated was the inevitability that a negotiated, compromise settlement is the only way out short of escalation and full mobilization for a war effort whose outcome would be still less certain. The effect of this, I feel certain, was profound in New Hampshire and contributed mightily to the success there of Senator McCarthy. This, in turn, set up the prospect of an outright McCarthy victory over President Johnson in Wisconsin. On March 31, 1968, Lyndon Johnson, who had only narrowly escaped defeat in New Hampshire, faced the almost certain prospect of defeat and further humiliation in Wisconsin.

The interaction of these two widely separate events—a great enemy rampage in Vietnam and the primaries at home—may not literally have persuaded President Johnson to withdraw. But these two events certainly shaped both the timing and the manner of his withdrawal for together they helped reinforce the view among his advisors that the President could not win in Vietnam, or with the American public, by pursuing his current course.

So the President changed his strategy. One result was the peace initiative, announced on March 31, along with the President's intention of withdrawing as a candidate to succeed himself, and featuring the partial bombing pause and the call for peace talks. It was apparently the President's considered view that the latter two initiatives could not succeed unless they were coupled with his own retirement as a contender for the Presidency. These were the outward changes. But much the most important change was never really acknowledged. In fact, it was denied—it was a non-happening. But it happened. The President decided not to grant General Westmoreland's request for an additional 206,000 soldiers for Vietnam. It is difficult to overestimate the significance of this decision for what it said was that the whole concept of applying graduated military pressure until the enemy buckled had not worked and could not be made to work. It was the difference in a poker game between raising and calling. It was a decision to play for something much more like a stalemate or a standoff than a military victory.

The critical point is that by putting this limit on what we can do in Vietnam, the government put a limit of sorts on what we can honestly hope to do any place. It restored to the forefront of our calculations what had been an element all along—the acceptance of the hard fact that we can do only so much for a small country which will only do so much for itself.

When President Johnson finally decided that the risk had to be taken, that the burden had to be shifted, that the United States could not continue expanding its effort, he finally and probably irreversibly confirmed the application to Vietnam of the concept of limited war—a concept which was preached by administration officials, off and on, and practiced, off and on, but never really acknowledged candidly because it had never been an easy concept to sell to an American public accustomed to winning cleanly and completely. Even in Korea, we restored the status quo ante; we pushed the enemy back behind the original line.

A case can be made that the much more recent events in Czechoslovakia established some sort of limit, too. But that limit was already there; however powerfully we might be drawn out of emotion to the side of the Czechs, the limits on what we could do for them were long ago fixed. These limits were fixed in Hungary, in Poland, and in the case of East Germany, where we might have used our influence or our arms—where we might have reverted to the old "rollback" theory of the early 1950's—and we did not. Neither did NATO, for the very simple reason that NATO was never set up to do that kind of thing.

Still, the Soviet invasion of Czechoslovakia is another reminder of the limits of power in the age of the nuclear standoff where a balance of terror, however awesome, is pretty generally regarded as the safest, if that is the word, guarantor of peace. So, for perhaps a variety of reasons, some foreign and some closer to home, it seems fair to say that we are on the front edge of some kind of a new era, something markedly different whether it is called neo-isolationism or disengagement or whatever. It will be different in part for the fact that the next President will not be Lyndon B. Johnson, whose style and method and approach in the field of foreign policy is probably very nearly unique. It will be different because there is a new mood in the country. Most of all, it will be different because Lyndon Johnson, as I have pointed out, has already taken the crucial step, in the crucial corner of the world, that was necessary to point the Vietnam struggle in a new direction—a direction which neither of the two major candidates seems likely to want, or to be able, to reverse.

It is relatively easy to say that the approach will be different. It gets a little harder to predict with any precision what this different approach will be.

The next President will not have the same sort of deep personal commitment to Vietnam that President Johnson had—the same personal and political prestige at stake. A President Nixon would have it a great deal less than a President Humphrey. Mr. Humphrey has stoutly defended the steady buildup of American combat forces which started with the landing of 3,500 marines in March of 1965. He has been out in front of the President in defense of our obligations in Southeast Asia and the relationship between these and our obligations around the world.

He is a loyal, not to say ebullient, deputy. But it is also perfectly clear that he would like to draw a very clear distinction between being a deputy and being his own man, as he made apparent in his acceptance speech at Chicago. Now he is already projecting the first withdrawal of American combat troops late this year or early in 1969. Without getting into an endless and infinitely complicated discussion over settlement terms, it is pretty obvious that Hubert Humphrey would be a reasonably and relatively generous negotiator in pursuit of a compromise that would end the war without clearly and blatantly leaving South Vietnam to the certain fate of a Communist take-over. He rests his hopes, as does President Johnson, on the theory that a progressive reduction of our effort will stimulate a progressive increase in the performance and the capacity of the South Vietnamese to carry a larger share of the load.

Mr. Nixon has been less explicit. But in one magnificently honed phrase he has said a lot, "We shall *end* the war in Vietnam and *win* the *peace* in the *Pacific*." Note the word "end" rather than "win" and note also the reference to winning the peace in "the Pacific" rather than "Vietnam." Walter Lippmann could live with that and so, with a little stretching could General LeMay. But Nixon's meaning is not all that obscure. He has said privately that no President coming into office in early 1969 could hope to govern effectively unless he is somehow able to move Vietnam dramatically toward a settlement, if not actually settle the war, *within six months*. My own guess is that Humphrey will feel somewhat the same compulsion.

Yet, it is idle to speculate about some new emerging American role in world affairs without taking somewhat into account the capacity of events to change everything—to upset everybody's timetable. It was, after all, *events*—a Communist insurgency in Greece, a Communist threat to all of Western Europe—that launched the whole postwar anti-Communist crusade and gave rise to the Truman Doctrine with its sweeping catch-all pledge on the part of the United States "to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures." With significant variations, this has been the bedrock of policy through Truman and Eisenhower and Kennedy and Johnson. Some have interpreted it more broadly than others. It has been applied in a variety of ways. But Lyndon Johnson still leans on the Truman Doctrine as a vital underpinning of policy in Vietnam.

In recent months, the Truman Doctrine and all that came after it, the pacts and the charters and the proclamations for Europe and Asia and the Middle East, have seemed increasingly out of date. Indeed, going back further than just the recent past, President Kennedy really began the talk of a different kind of obligation on the part of the United States—the more limited obligation to keep the world safe for *diversity*. *Non*-Communism began to replace *anti*-Communism as our goal. There was the test ban treaty and then the nonproliferation treaty now awaiting action in Congress. There were other signs of thaw in the Cold War—enough of them so that Hubert Humphrey felt free in July to talk about a "waning" of the Cold War, a prospect of "further accelerating mutual efforts toward disarmament." "The Communist countries no longer pose a monolithic threat," he said just two months ago. He also noted a new generation in the United States which rejects the "old premises of war and diplomacy and which wants to see more emphasis placed on human and personal values."

These conditions, he said, demand "a shift from policies of confrontation and containment to policies of reconciliation and peaceful engagement."

In Miami Beach a month later, Mr. Nixon observed in strikingly similar language that "the era of confrontation" is turning to "an era of negotiations with the Soviet Union." He had not changed, he insisted, but the world had changed from the time that he made his 1960 acceptance speech in Chicago and demanded a "strategy of victory for the free world," "an offensive for peace and freedom," and "ideological striking force" to take "the initiative from the Communists."

Then came the Soviet tanks together with those of their Warsaw Pact allies rolling into Czechoslovakia and you had to ask yourself what about this monolith? What about this new era of conciliation or negotiation or reconciliation? The answer is that certainly nothing is going to happen very quickly. Not Nixon, and not Humphrey, but the Russians—and the Chinese—will control the pace, or have a lot to say about it.

In the same way the North Vietnamese will have something to say about peace in Vietnam. If we have indeed abandoned once and for all the dream that one side can settle this, we must in all logic accept the fact that it will take some community of interest between the two sides, some mutual acceptance of the need to compromise.

So the role of the United States in world affairs is not something that can be fixed immutably in Washington. Still less can it be fixed in the White House. While Mr. Nixon has proposed a whole new approach to foreign aid and Mr. Humphrey has urged that it be increased, they both seem to agree, at least, that foreign aid is a useful thing—but there is not much sentiment of that sort in Congress, where the program has been all but dismembered this year.

In short, there are crosscurrents which will shape our role in international affairs. There is a conservatism about spending money for the vital necessities of uplifting underdeveloped parts of the world in the interests of trying to innoculate them from the kind of instability that causes Vietnams. At the same time there is, in Congress, and in the Pentagon, a cheerful readiness to spend any amount of money for anything new and shiny that promises us some gossamer strategic advantage over the Soviet Union, measured in megatonnage.

This is a curious state of mind, most effectively dealt with by former Secretary of Defense McNamara, who has tried harder than anybody to argue the case against an overwhelming nuclear superiority for either us or the Soviets. When both sides have the capacity to destroy each other, there is not a lot to be said for either one having the capacity to do it over again. There are outstanding commitments, to SEATO, to NATO, to Latin America. But there are also all sorts of ways of interpreting them, all sorts of tests which put more or less of an onus on the beneficiary of our help and support, and give us greater latitude for selectivity. My hunch is that the natural inclination of either Nixon or Humphrey will be to go down the road of careful, selective, gradual disengagement abroad, to wind up the war as rapidly and honorably as possible, and to submit reasonably to what will almost inevitably be a great upsurge of "never again" sentiment in the country.

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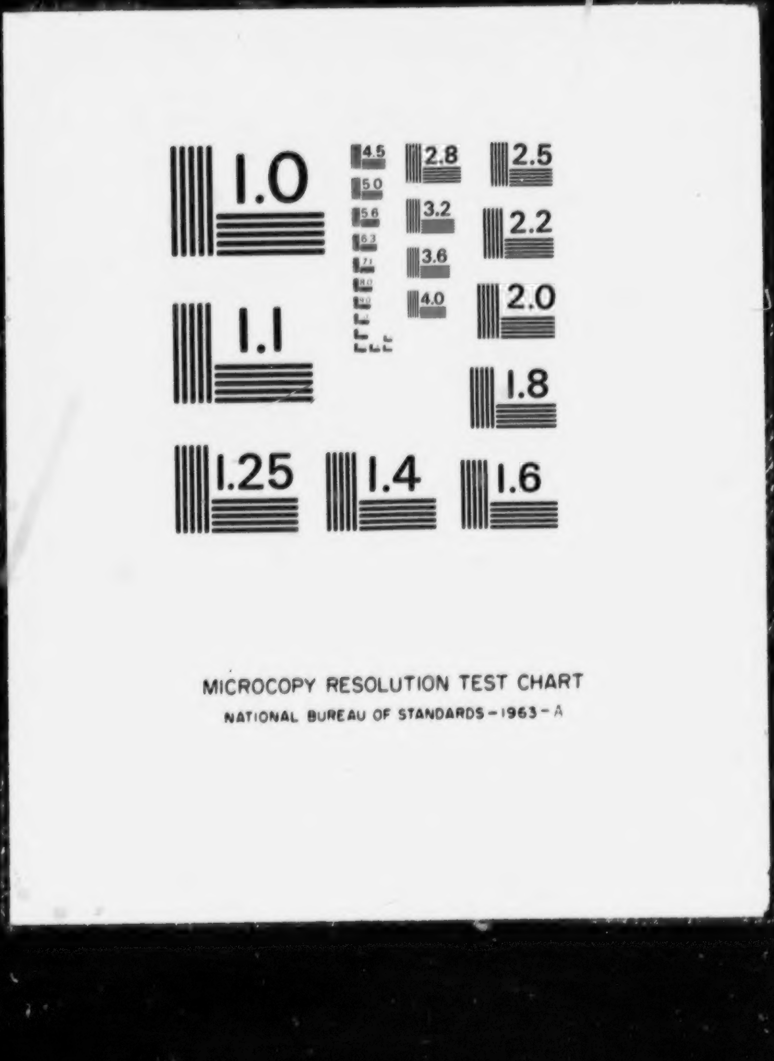
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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963-A

So I foresee a shrinking role for the United States in foreign affairs—not a dramatic retrenchment, and certainly nothing like a revival of isolationism in the old form. But there will be a turning inward, a new caution about commitments abroad, new reservations about our obligation to set things right everywhere. This is almost unmistakably the mood of the country. It is reflected in the party platforms and the campaign statements of the candidates. And it goes without saying that it is a mood which could be altered or upset rather quickly by new threats posed by the Soviet Union or the Red Chinese or the men in Hanoi to our security.

THE UNITED STATES IN TOMORROW'S WORLD

Karl Brandt
Professor of Economic Policy Emeritus
Stanford University

In the latter part of June, I was still on the other side of the Atlantic. When, in May, I had left Washington, the first ominous tents of the March of the Poor were being set up. In Europe, militant actions of students were erupting in Belgium, Britain, Western Germany, and France. Strikebound rail and air transportation, the resulting paralysis of major industries, and the general revolt threatened to end De Gaulle's regime. However, by mid-June, all this had subsided, and life on the Continent had returned to almost normal, while the assassination of Robert Kennedy—the second murder of a political leader within a few months—shocked the world. In London, on the first of July, with the subway closed to its seven and a half million inhabitants, a slowdown on railways, and BOAC shut down by a pilot strike, everything was more pleasantly quiet and orderly than I have ever seen it. And when, on the Fourth of July, I left Washington, our entire capital was also as pleasantly peaceful, flag-decorated, and orderly as I have ever seen it.

These are only a few of the intriguing manifestations of political, social, and economic conditions that came to my mind when I received the invitation to reassess the course of our foreign and domestic policies.

During the three decades behind us, the range of the course of major events has never seemed so appallingly wide as it does today, nor has there been such explosive discontent, insurrection, and violent mob psychosis in congested city areas. The enormous progress of scientific research, invention, and business, and the resulting expansion of resources available to man in organized society, have opened a multitude of new alternative courses of action and reduced the time needed to achieve certain ends. That goes for ourselves, our friends, and our enemies, and it applies to no other human action more specifically than to agriculture and the production and distribution of food, feed, and fiber.

Therefore, a note of caution is required concerning this appraisal as of September 1968. Any pertinent facts or events that become known hereafter may call for an adjustment of the conclusions reached.

What makes the probable course of events far less predictable than the growth in resources and technology are the waves of social, political, and ideological movements, which have come to the fore since the Korean War. They range from world-wide neo-Marxian class struggle to racial combat and militant nationalism via any number of economic or political pressure groups, on the one side, to overcautious nonintervention, hopeful detente, pacifism, and a search for world government Utopias, on the other.

While all such movements are neither unique nor basically new in history, their latest virulent appearance has created new problems for the legislative and executive branches of representative government everywhere.

WORLD OBLIGATIONS OF THE UNITED STATES

Before charting the course of our nation's policies, it is mandatory, to demark as clearly as possible our position relative to other inhabited parts of our planet in 1968.

The United States emerged from World War II as the leading economic and military power among nations. By virtue of her gross national product, the capacity of her basic industrial, agricultural, and commercial plants, her energy resources, and the skills of her labor force, she has no peer among nations.

The nation that ranks second among the world's powers is Soviet Russia. Her industrial capacity, her gross national product, and her rate of economic growth put her into that position.

The economic geography positions of both powers show the greatest contrasts:

I. Our nation, stretching from the Atlantic to the Pacific and from the Mexican Gulf to Canada and Alaska, was, is, and will be, first and last, a naval power. From her beginning as a raw materials exporting colony of naval powers she has depended on freedom of the seven seas and access of her merchant ships to the ports of the world. Entry into World War I and World War II was actually precipitated by the imminent danger that a hostile power would jeopardize freedom of the seas and access to foreign ports and would get control over the world's leading shipyards. The rise of air transportation, atomic power, and rockets has not changed this. With the elimination of Japanese naval power and the decline of British and French naval power, the United States became the leading naval power of the world and the protector of freedom of sea transport for all nations outside the Soviet orbit.

II. Soviet Russia, by contrast, has dominion over the largest coherent land mass on the Eurasian Continent, stretching from central Poland to the Behring Straits and Vladivostok. This "Heartland" has, so far, proven itself militarily unconquerable and strategically strong. Yet, the weaknesses of its economic geography are: the enormous distance from the Ural Mountains through the Siberian wastelands to the mineral wealth of the Far East, the slope of Asia rising from subarctic sea level in the north to the east-west barrier of the world's highest mountains, and the absence of ice-free seaports in Europe.

With a centrally managed, autarchic economic system and tight control over dependent satellite states, Soviet Russia sits behind a self-built electrified barbed wire fence and minefield that reaches from the western end of the Baltic to the Black Sea. With icy cool nerves and concentration, she plays a number of simultaneous legal and diplomatic chess games to win territorial expansion of strategic areas in the west and southwest, and in the Far East. One of her priority goals is control over more first-class seaports and well-developed industrial capacities in contested areas.

Soviet Russia already has an extraordinarily large array of armored divisions and up-to-date air force and ballistic missiles of intercontinental range as well as satellites and commitment of major financial resources to research on manned stations in astro space.

Added to all this is the rapid growth of Soviet naval power. The U.S.S.R. has four separate fleets—one each for the Baltic Sea, the Black and Mediterranian Seas, the Arctic, and the Far East. This rapidly growing navy is comprised of hundreds of vessels including fast new cruisers with surface-to-surface rockets, antiaircraft artillery, and helicopters, and fast nuclear submarines with longest range, a marine corps, and a merchant marine including oil and liquid gas tankers with capacities from 200,000 to 500,000 tons each.

III. Since 1945 Soviet Russia has extended her political, economic, and military control westwards at sea in the Baltic and along the Norwegian coast and on land and in the air from Leningrad almost to Copenhagen, Hamburg, Goettingen, and Vienna.

Ever since the Korean War the partnership between the United States and her Western and Southeast Asian allies has weakened and become more problematic. Liquidation of the British Commonwealth and the French positions in Indochina, the Near East, and Africa, the hasty retreat of Belgium from Africa, the refusal of Britain to join the Treaty of Rome, and competition among the Six of the European Economic Community and the Customs Union of the

Seven all have contributed to the decline of solidarity within the North Atlantic Treaty Organization, which expires within less than a year. Having helped in rebuilding Western Europe under the Marshall Plan, the United States has carried the main burden of all military conflicts ever since Teheran, Yalta, and Potsdam.

The British navy has disengaged itself from its commitments in Southeast Asia, which is threatened by Communist aggression by proxy, leaving the defense of freedom of the seas and open passage through the straits and the ports to our seventh fleet. The British navy has also withdrawn from the entire Mediterranean, as has the French fleet. France abandoned last February the strategic triangle of her naval bases Toulon-Oran (Mers-el-Kebir)-Bizerte, substituting Brest at the Atlantic coast for it, while Algeria let the Soviet Black Sea fleet and other Soviet naval units use Mers-el-Kebir as their naval base. Only our sixth fleet remains to protect the freedom of the air and sea against piracy or aggression from the war torn oil and gas rich Middle East and Israel all the way to Malta and Spain's Costa Brava. With Soviet submarines before Gibraltar, the "soft underbelly" of Western Europe is more exposed than at any time since 1941.

Following the Geneva Accords of 1954 and 1962, we have been engaged for years in the war in Vietnam, 10,000 miles from our shores. We are defending the South Vietnamese against aggression and conquest by the Communists of North Vietnam, whose armed forces are endorsed, fed, and equipped by Soviet Russia. This is, essentially, what we did under the Truman Doctrine in Greece, Turkey, Lebanon, Korea, and Taiwan. But the real and perfectly valid political and economic reason why we are supporting our diplomatic action with military force goes far beyond the fertile swamp which the French settled and colonized. In defense of legitimate national self-interest we are putting teeth into the international law concerning freedom of the sea, peaceful foreign trade, economic cooperation, and freedom of access to ports from Alaska to Madagascar—with the Tonkin Straits and the Straits of Malacca as most critical passages.

At stake is the political, economic, and social independence of Burma, Cambodia, Thailand, South Vietnam, South Korea, Malaysia, Indonesia, the Philippines, and Taiwan. The danger is the absorption, by savage guerrilla warfare and terror by proxy, of the civilian population of all those countries into the Communist alliance that is committed to deadly hostility to everything we and the West stand for.

IV. The most menacing contingency of our political-economic-military engagement in Southeast Asia is the precarious position of

Japan, which, with its industrial and commercial capacity, ranks third after the United States and the U.S.S.R. With nearly 100 million hard-working well-disciplined people this nation leads in mining, deep-sea fishing, production of steel and small farm machinery and implements, and petrochemical, electronic, and numerous other manufactures. But, according to her constitution, this gifted, seafaring, island-inhabiting nation can provide no national defense of her own and, after the loss of all former colonies as well as important islands of her own, must "export or die." Aside from close economic cooperation with us and the leading industrial countries of the West, there is no other protection against shrewdly manipulated—or even forceful—incorporation of Japan's resources into the U.S.S.R.'s political, economic, and military orbit of power than the ever alert and ever visible striking force of our seventh fleet and the fulfillment of our commitment to Japan, South Korea, and South Vietnam.

This fulfillment of our commitment, which involves such tragic loss of lives of our soldiers, amounts to the fulfillment of the duty we owe to our people, our right to survive, and our great cause as a nation.

To round up my appraisal of major foreign issues in the next few years, I put question marks on large areas in Asia: Red China, where Mao's wildly boiling revolution has all the earmarks of breaking up into blocks of military dictatorship run by field marshals who are being supplied with grain and military hardware by the U.S.S.R. If what probably has already happened in Outer Mongolia and Shensi should occur elsewhere, this would still further strengthen Soviet Russia in the Far East. I do not expect the political and economic history of the next few years to be decided in Africa. Latin America seems to be approaching a phase of economic growth and stability.

Latest developments in Czechoslovakia with the warning of our President against military invasion of Rumania and the mobilization of Yugoslavia's military reserves, indicate that the strategists of the U.S.S.R. committed a tactical error, which possibly could work in our favor. But this remains to be seen.

This sketchy bird's-eye view outlines the inescapable obligations to ourselves and others, which the United States fulfills as the leading power—substituting for the inability and failure of the United Nations to enforce international law.

From this tense situation I draw the following conclusions:

1. We must give top priority to keeping our nation politically, economically, and militarily in prime shape and be alert to the shifting risks in an explosively dynamic world.

2. We must not permit our strong desire for peace and international cooperation to let those who try to conquer the world destroy the faith of our allies and friends in the fulfillment of our commitments. To let the Soviets build the Berlin Wall in 1961 and absorb central and eastern Germany into their satellite orbit by a new constitution in February 1968 without our prompt and massive retaliation are examples of what not to do. Nor can we afford to lose face as we did in the sad case of the Pueblo.

3. We must not go into the trap of the Nuclear Non-Proliferation Treaty, which will be a more tragic error than our untimely disarmament after the Briand-Kellogg Pact. With Red China and France and also 34 other nations without nuclear weapons but with nuclear power plants of their own outside of the treaty, the only result will be a weakening of our national defense and a greater defense burden on our federal budget.

4. As a prerequisite to considering any foreign policy issues, it is mandatory that our nation use her ingenuity, resourcefulness, and social discipline to keep the economy growing in productive assets, to improve utilization of these assets, and to remain financially sound. As the world's leading and, very soon, only reserve currency, the dollar must be freely convertible and stabilized in its purchasing power if the nation's foreign trade is to prosper. Inflation causes the most serious distortion of capital investment as owners search for security rather than interest earnings. The international prestige and diplomatic stature of the United States are weakened if the budget of the government (federal, state, county, and town) shows increasing deficits and steeply rising public debt.

While the International Monetary Fund has supported the dollar to help stave off devaluation, such action requires endorsement by representatives of other member nations. This, in turn, creates liabilities in diplomatic relations with prominent allied nations, such as France.

EFFECT OF DOMESTIC PROBLEMS ON OUR FOREIGN POSITION

From 1958 to 1968 our general price index has risen by 21.2 percent, but during the twelve months ending June 30, 1968, it rose by 3.9 percent.

The results of hedging against inflation at a rate of "only" 4 or 4.5 percent for the year plus internal migration toward the West are illustrated by dry mountain ranches in California. In many instances, price per acre has quadrupled within three or four years. Very often, people in metropolitan areas two or three thousand miles away were investing in land to hedge against inflation.

The value of real estate in agriculture, forestry, or recreational areas enters into the security structure for a substantial part of our banking and loan business. When booming business activity slows down or drops off sharply, the shrinking of real estate prices could, and probably would create again the well-known consequences of economic crisis.

The forces that erode the purchasing power of the currency are competing pressure groups, each trying to get a maximal share in benefits out of subsidies paid by the Treasury. One powerful group is labor unions, which no democratically governed country of the world has yet subjected to antitrust laws, and which perform as their members expect by securing increases in wage rates or fringe benefits. That employees should share in the rising productivity is generally accepted. What undermines economic stability, however, is jacking up wage rates irrespective of productivity. Since only some 17 million of a labor force of over 80 million are union members, the costs of such actions are borne chiefly by the large numbers of nonunionized members of the labor force through their consumer budgets.

This cost-push inflation which usually operates simultaneously as demand-pull inflation, tends to weaken our economy, hence our foreign policy position. It leads to oversubstitution of capital, invested in labor saving devices, for skilled labor. The skilled workers, no longer needed, are set free to bulge the social relief rolls and stretch the budget of communities, counties, and states so far beyond tax revenues that the deficits are being financed by bonds. The commodity produced tends to be replaced by substitutes. It can no longer compete successfully in foreign markets or with imports in the domestic market. This, in turn, leads to various nontariff forms of protectionism with subsequent retaliation by the nations concerned (steel and coal are the two outstanding examples). How far the freedom of employees has been abrogated by monopoly power of unions is glaringly illustrated by the secondary consumer boycott by Eastern labor unions against California grapes, and the threat of more boycotts against other perishable crops.

Ever since the end of World War I we have pursued an agricultural policy which burdens the Treasury with providing funds for a great variety of attractive programs to support farm incomes. This income support always has had and still has the endorsement of a majority of the urban electorate as a means for improving the level of living of the low-income farm families. Implementation has consisted of fixing prices of commodities above equilibrium levels by government intervention in the domestic market, stockpiling of the surpluses, and their liquidation at home and abroad at heavy losses absorbed by the U.S. Treasury.

It is an incontestable fact that our agriculture in the 50 states is the world's most advanced, creative, and dynamic system of food, feed, and fiber production, operating in three million free-enterprise units, competing in their national common market, which has 200 million consumers with the highest per capita purchasing power of the world. It pays the highest wages in the world and can compete in the world's lowest wage areas without subsidy. This agriculture has the educational, research, and technical assistance of the unique land-grant system in production, marketing, and financing. Furthermore, it is organized in a huge system of successful, well-financed cooperatives, which are, in every sense, modern business corporations. They give their members effective bargaining power in buying, selling, or contracting.

Our farms are competing in the domestic and the export market. The world has not approached anything like freer international trade —in spite of exhausting efforts under the last Kennedy Round under GATT, which yielded deplorably few concessions. But regional free trade arrangements have been successful in removing quotas, duties, and other obstacles. The European Economic Community of the Six and associated countries promises to remain a market for U.S. feed grain and oilseeds, as may also the Central American Common Market of Costa Rica, Nicaragua, Honduras, El Salvador, and Guatemala and possibly the Latin American Free Trade Association. Yet there is every indication that, with declining rather than rising prices, competition for U.S. agricultural exports will become much keener than ever before. Hence, our commercial farms ought to be freed from government price fixing, acreage limitations, and income subsidies.

Today, there are roughly three million farms comprising four different groups. Some 800,000 commercial farm enterprises, which are rapidly consolidating and shrinking in number, produce over 90 percent of the market supply of agricultural commodities.

The remaining 2.2 million farms fall into three entirely different groups with different social and economic problems. One of these groups is retirement farms, owner-operators and families of which have farm income supplemented by public or private pensions or earnings on savings. They enjoy the benefits of favorable income tax provisions as well as the rising net value of their real estate, which they leave to their heirs.

The second group are part-time farmers with diversified incomes. They live on the farm, operating part of the land, and leasing the remainder to commercial farms or letting the trees take it back, but any members of the family in reach of public or private transportation use their manpower off the farm in remunerative nonfarming jobs.

The third group consists of small income farmers with inadequate skills, education, and managerial talent. Located on poor natural resources and equipped with deficient man-made resources, they nevertheless resist migration.

The social or economic problems of the farm population in the first two groups are not of emergency or top priority nature. The problems of rural poverty are chiefly those of group three. While their cash income is largely derived from commodities like tobacco, cotton, peanuts, or wheat, their output is so small that higher prices cannot lift them out of their poverty.

This problem besets all industrially advanced nations. It can be tackled only by gradual transfer of the human resources of the small farms to such employment as will provide adequate remuneration in the expanding market economy. It also requires shifting some land and human resources into higher use such as recreational services to urban people. Many of the agriculturally disadvantaged regions are very attractive to the vacationing urban people and their young folk. Modest but neat and clean accommodations on small farms which ~~provide~~ meals, supervised activities for children, or camping trips for teenagers are in prime demand by citizens as well as foreign tourists.

Shrinkage in the proportion of the labor force employed in agriculture as well as consolidation of farms into increasingly efficient commercial agriculture enterprises are accepted realities not only in the United States but also in the United Kingdom and the European Economic Community.

OUR FOREIGN AID POLICIES

Since the end of World War II the productivity of labor in agriculture has grown much faster than in industry. In contrast, productivity of agricultural labor in many developing countries has declined. This, in turn, has led our country and leading industrial countries of Europe to a policy of granting overgenerous financial, industrial, and food aid to developing countries. Our country has not hesitated to make research resources, up-to-date technology, and capital available to almost any nation that applied for it. Grants of aid have accelerated after the Korean War and have become more and more diversified in form. In the early and middle sixties doubts arose about the effectiveness of such aid and the wisdom of continuing it. Reappraisal of the leading industrial countries' policy of aiding economic growth and development in the primary products exporting countries was slow and agonizing due partly to political pressure from the United Nations Conference on Trade and Development. This organization of some 86 underdeveloped countries pressured hard for greater capital funds from the leading industrial nations. Not only did it stipulate that the acceptable minimum net capital transfer was 1 percent per annum of the gross national product, but it also demanded that these industrial nations buy raw materials, food commodities in particular, from developing countries at prices above the world market level. This demand was supported by the claim that the rate of economic growth was far less than what the people expected.

During the decade 1957–66, agricultural production in the less developed countries increased at an average annual rate of 2.5 percent or as much as in the developed ones. However, per capita food production remained stable in the developing countries while it increased in the industrial ones, due to the higher rates of population growth as well as the much larger proportion of young people in the age composition of the former. The high rate of population growth was due not to accelerating birth rates but to declining death rates, particularly in tropical and subtropical climates, where malaria, cholera, yellow fever, smallpox, and other infectious diseases were conquered.

Whether measured by the improvement of living conditions and per capita income of the broad mass of the rural population or by the rate of balanced and sound economic growth in developing countries, the results of foreign financial aid by the United States and other industrial countries have been unsatisfactory—to put it mildly! Huge chunks of capital transferred under bilateral agreements were invested under the managerial control of government planning agencies of the developing countries. Mixed into the motives of the decision makers in the ministries too often was too much yearning for international prestige and military status and an unattainable speed of industrialization. Lack of experience and lack of professional competence in organizing newly built government operated industrial enterprises to meet the tough competition in the commodity markets of today's world economy contributed their share in diminishing the flow of funds from the industrial countries. Not only were too many of the new industrial plants unable to compete price-wise or quality-wise with imported products in spite of heavy duty protection but, in many instances, the invested capital had to be written off as a loss.

One of the most serious errors made by developing countries in their use of the foreign aid they received resulted from the misunderstanding of the role of agriculture, its auxiliary village handicrafts, and its producer and consumer demand in economic development. This misconception contributed a great deal to the lowering of the level of living for the majority of the rural population.

The concentration of politics in the metropolitan areas and urban industrial centers has given the urban population almost exclusive priority to higher education, research, and economic growth. The rural population has either been excluded from progress or been squeezed between prices of farm products fixed at low levels and prices of farmers' needs boosted up by throttled import quotas, duties, and high prices of products of the new factories.

MULTINATIONAL CORPORATIONS–AN ALTERNATIVE TO FOREIGN AID

All of these problems have almost closed that phase of aid to developing countries during the last three years and led to a new development, which sails under the emblems of "multinational corporation" or "international agribusiness."

The initiative comes from successful business corporations in leading industrial countries, which have the capital, the "know how," and managerial skills, and are seeking profitable investment in developing countries.

This latest move at the frontier of our foreign economic relations has quite a history of exploration and experience by American business enterprises abroad. Among a multitude of such ventures were the investments by the Rockefeller family in Venezuela from 1937 through 1940 and those of the American International Association for Economic and Social Development (AIA), a nonprofit organization, financed by individuals and companies in the United States and Latin America. After concentration of its activities in Brazil, AIA was succeeded in the latter part of the forties by the International Basic Economy Corporation with dozens of subsidiary companies in Brazil, Argentina, Venezuela, Peru, Colombia, San Salvador, Guatemala, and finally, Thailand.

The multinational corporations have as partners one or several private U.S. business enterprises and, say, one Belgian and one Japanese company. But they have the endorsement, support, and cooperation of all the executive branches of our federal government concerned with foreign affairs, such as the Agency for International Development, the Departments of Agriculture and Commerce, and the Export-Import Bank. Such an American enterprise undertakes its foreign venture at its own risk, but it can obtain government insurance for a part of the political hazard.

While annual U.S. exports have grown from $10 billion in 1950 to $27 billion in 1965, the output of U.S. companies abroad has grown during the same period from $20 billion to $100 billion, or at more than twice the rate of exports.

Behind this remarkable record stands the experience of a very large number of American companies, which have paved the way for the multinational company approach to development aid and agribusiness. The basic principles are these:

1. The company must be welcomed by the host country's government and have the unequivocal right to manage its enterprises.
2. Preferably, though not necessarily, a part of the investment capital should be contributed by reputable citizens of the host country.
3. The company must contribute to economic development besides the investment and operational capital, the initial set of competent trained personnel as well as its advanced technology in order to train the local people.
4. The operation must be profitable and, thereby, create a favorable investment climate and faith of the people in the stability of economic growth.
5. The company must have the privilege and right of access to the services of the host country's public educational and research system.
6. The company must have the host country's guarantee of the right to repatriate or transfer abroad its earnings as well as, eventually, its capital.
7. The company must abide by the laws of the host country as well as those of its own country and countries of its foreign partners.

What, then, is the main difference between the former development aid policies, that involved such exorbitant losses, and the new agribusiness strategy? The answer is that the initiative under the new strategy begins with decentralized, namely private, decision making. The process of trial and error does not burden the state budget of the host country. As in any profit-seeking and economically sensible enterprise, each venture begins with the exploration of the potential growth of effective demand for goods and services by: (a) consumers, (b) all links in the trade chain, and (c) producers in the market.

The greatest lag in economic development in less advanced countries prevails in the marketing of farm products, particularly all perishable commodities, and the marketing of producer and consumer goods to the farmers. What has been achieved in our country from 1917 to 1937, under the leadership of the Extension Service of our land-grant colleges, in the marketing of farm products by the introduction of standards and grades and the Pure Food and Drug Act is still sorely missing in the majority of the developing countries. Grading and packing sheds, warehouses, transport facilities at wholesale and retail levels are only a few examples of needed requisites for substantial improvements in prices received by small farmers.

ADAPTING EDUCATION TO THE TASK

Changing demands for the performance of higher education in the coming decade are:

1. Advancement of our agriculture to supply our domestic as well as our export needs.
2. Serving the developing countries through:
   a. U.S. multinational corporations.
   b. Direct consulting services to such countries.

Even though the number of our farms is going to continue to decline, the demand for academically trained graduates in agriculture is increasing. At present, roughly 67,000 students are enrolled in agriculture in land-grant universities, including 16,000 graduates. Of the latter, 27 percent went into graduate work, 10 percent into farming, 19 percent into agribusiness and industry, 10 percent into education and extension, 10 percent into federal, state, county, or city agencies, and 16 percent into the armed forces.

This great variety of promising opportunities for employment of the agriculturally educated young talent underlines the necessity of further continual adjustment of study and training programs offered in our higher education. Such adjustments ought to differentiate between skills and knowledge to be used inside the U.S. economy and in other industrial countries, and skills and knowledge to be used in developing countries. Such adjustment is needed not only in studies and research in our land-grant college or university system but also in junior colleges, high schools, and in the later grade school years.

For work in our 50 states, more sophistication and specialization will be required, including specific skills in various spheres of production, processing, transportation, storage, and the utilization and processing of agricultural commodities.

With reference to the increasing demand for agriculturally educated young men and women for performing constructive work in developing countries, too much sophistication may, in general, not fill the gap, but tend to create new problems. This is particularly the case in quite a few countries where the upper and lower middle class in one or more metropolitan centers have adopted the latest design of Western industrial perfection, but where the remote small family farms and village craftshops are using tools, implements, production patterns, and skills of sixty, eighty, or a hundred years ago.

If the young generation is to emerge from our education with the strong sense of realism so essential to their contributing to progress in the humane society, they ought to be familiar with the concrete, down-to-earth facts, such as fencing cattle in or out by barbed wire. It does not serve the students well to get chiefly high faluting ideological interpretations of all sorts of "isms." They ought to know just how raw and undeveloped a wilderness this country was and what the immigrants from many countries brought with them, including concise images of what makes a farm. They ought to know when and how improved tools, implements, practices, and preventives against disease and pestilence of man and animal appeared and how, in response to changing price-cost relations in the market, the dynamic change of our agriculture never ceased.

With over 50,000 foreign students enrolled in our colleges and universities (1966), this seems particularly helpful to those from less developed countries. Students ought to take with them also the conviction that, in any country, progress in the agricultural and food economy requires the adoption of improved practices, tools, and equipment on thousands of farms, and that many, many perceptive rural people will respond to opportunities for change and education if they can be motivated by economic incentives. Consumer goods, available at stable or declining prices in the village stores or co-ops, or by ambulant trade, are most persuasive incentives.

In view of the strategic importance of our success in technical missions to developing countries, I mention one of the delicate weaknesses of the past. Quite a few of our experts, when called as members of a technical mission to Latin American republics, have each made their recommendation on a specific project. The package left the recipient government in a state of utter frustration because of the absence of a coherent underlying set of economic-social-political assumptions and the absence of alternative ranks of priority for action. But private organizations operating commercial agricultural enterprises in Latin American countries have frequently also ignored recommendations of U.S. experts that projects should begin with full coordination with the governmental agricultural research agencies. Here the frustration resulted from subtleties of political psychology. The world-wide attempts at overthrowing democratic governments by infiltration and guerilla tactics, and the usual temporary suspension of civil liberties by a military regime, have naturally led to defensive behavior by the managers of farm enterprises in many developing countries. They have no desire to depend entirely on an extension service run by a college of agriculture, controlled by the government. If, by a coup d'etat, the government is taken over by Communists, then all farm enterprises are government managed the next day. If a military junta steps in, the same may occur.

CONCLUSIONS

Our economy and our population will continue to grow at such a rate that only the utmost self-discipline, enforcement of law and order, and adherence to the few incontestable values, on which our constitution stands, will keep us in the position of the leading power.

I see no reason to expect in the noncommunistic parts of the world starvation, an overpopulation crisis, or other disasters. However, in our own metropolitan and urban areas, we have a great number of social, economic, political, and juridical problems, which require dogged persistence and concentration in tackling them and reasonableness of expectations of the citizens in solving them. If we do not follow blindly certain overarticulate intellectual geniuses in universities, who claim to know precisely what is good for all other people, and rely instead on the good common sense, self-discipline, and efforts of the average citizens who made this country, we shall avoid becoming victims of arrogant despotism. Being challenged by actual or potential tyranny from abroad and inside our boundaries, we shall, I believe, prevail as a humane society that respects and protects human dignity.

Winding up the appraisal of the role of our country in tomorrow's world affairs, I want to remove from the stage the least probable events:

I do not expect any genuine efforts by Soviet Russia's field marshals to establish peaceful relations with the nations of the Organization for Economic Cooperation and Development, to agree on any true disarmament, or to halt the race toward naval supremacy around the East and West of the Eurasian continent. It seems equally improbable that Soviet Russia will begin any major military aggression against Western Europe, Japan, or in the Western Hemisphere if and so long as we and our allies remain militarily prepared and alert and our diplomats and our intelligence are aware of Soviet strategy and tactics in all dimensions.

If we do not play ostrich by hypnotizing ourselves into the suicidal assumption that peaceful coexistence is well on its way, the prospects seem to be good for more effective economic, cultural, and social cooperation between industrial nations under our leadership and developing countries.

FORCES AFFECTING THE WORLD FOOD SITUATION

Quentin M. West, Director of Foreign
Regional Analysis Division, Economic Research Service
U.S. Department of Agriculture

There has long been considerable confusion concerning the nature of the world food problem. In the late 1940's, there was much concern about world food shortages. This fear soon disappeared as surpluses began to accumulate in the United States in the early 1950's. However, by the mid-1960's supply management and food aid programs began to reduce these surpluses.

In 1966, there was a rapid drawdown of world grain stocks and an increase in food grain prices, largely as a result of greatly expanded imports of grain by India and the U.S.S.R. India suffered from a second year of drought, and the U.S.S.R. had two crop failures in three years. Australia also had a poor crop. The disappearance of excess stocks in the United States and an unfavorable wheat yield outlook contributed to the uncertainty. This situation was taken by many as evidence that the world food situation was deteriorating and again raised the question whether there would be sufficient food in the future to supply the rapidly expanding world population at acceptable levels of nutrition.

In 1967, the situation was somewhat different. Record grain crops had been produced in the U.S.S.R., Canada, and Australia. India harvested at least 100 million tons of food grains, compared with 73 and 78 million in the previous two years. Crops also improved in Pakistan, Latin America, Africa, and West Asia. In Western Europe, feed grain production established a record and the wheat crop was a near record. South Africa also had a record feed grain crop.

Altogether, 1967 was a year of record output for world agriculture and, most significantly, a record for the less developed world. Per capita food output in the less developed countries (LDC's) of the free world increased by about 5 to 6 percent, a recovery to the previous record level of 1964 or slightly above.

However, many still believe the world is in imminent danger of running out of food. As late as September 1967, a prominent authority restated the concern which had been so prevalent during the previous year and a half:

> In simplest terms, population has been rising faster than food production. The stork is outrunning the plough. There is less food per capita in the world today than a year ago. In the less developed world, where food deficiency is already the greatest, agricultural production is far from keeping pace with the growth in population. . . . For the past 6 years, the world has eaten up more basic food grains than we have produced. We have eaten up our so-called surpluses. We are rapidly eating up our secondary reserves, land previously withheld from production.[1]

The Economic Research Service has been a voice of moderation in this wave of pessimism. In 1964, in our report, *World Food Budget, 1970,* we said that production in the free world LDC's had increased annually about one-third of 1 percent per capita since the prewar period and that it was expected to increase over the decade of the 1960's at about the same rate. We said there would be increasing pressure upon the food supply, but at rising levels of consumption.

In 1965, in a paper entitled "Food Surpluses in a Hungry World," we indicated that if production and trade trends continued, by 1970 exportable supplies of grains would exceed import requirements by more than 15 million tons.

At the National Agricultural Policy Conference in 1966, I indicated that the only condition under which the United States would not be able to supply the less developed world their food needs was if we were to suddenly—within one decade—try to furnish everyone in the LDC's an adequate diet, without any improvement in food production on their own part. We told this same story to the President's Science Advisory Committee.

A 1967 Economic Research Service report, *World Food Situation: Prospects for World Grain Production, Consumption, and Trade,* concluded that growth in production capacity would continue in the developed world and would be more than ample to meet the rising import needs of the less developed world.

The report also concluded that if the LDC's increased their levels of agricultural production to 4 percent annually—a rate achieved by only a few countries in the past—they would be achieving a high enough rate of growth in food production to provide minimum adequate calorie levels for their people by 1980 and overcome their dependence on food aid. However, this would require unprecedented increases in resource commitment to agricultural development. It would also require massive efforts by many developing nations and considerable assistance from developed countries.

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[1] Herbert J. Waters, Paper given before the General Federation of Women's Clubs, U.S. State Department, Washington, D.C., September 14, 1967.

In the past few months, there has been a complete turn-about in the attitude of many toward agricultural development in the LDC's. Some of the most pessimistic have become real optimists. This swing was generated by the record crops last year in the LDC's and the success of the new high-yielding varieties of wheat and rice.

I would like at this time to outline briefly our analysis of the world food situation, make an evaluation of the impact of the new technology, and discuss our immediate outlook for world production and trade of the principal foods—wheat, rice, and coarse grains.

CONSUMPTION-PRODUCTION GAP IN THE LESS DEVELOPED COUNTRIES

There is still much hunger in the world today. Probably two-thirds of the world's people live in countries with nutritionally inadequate national average diets. The diet deficit areas include all of Asia except Japan and Israel, all but the southern tip of Africa, and most of South and Central America. The total additional grain required to wipe out this deficit for the free world LDC's would amount to about 25 million metric tons of grain. Almost two-thirds of this requirement is in four major food-aid countries—India, Pakistan, Indonesia, and Egypt—with over 45 percent in India. There is also a deficiency of protein in the national average diet of most of the LDC's.

During the past decade food production increased at a slightly faster rate in the less developed countries than in the developed countries, but the per capita trend in the LDC's has been dampened by a high rate of population growth. Annual population growth has reached 2.5 to 3 percent in many developing countries, as widespread application of medical technology and improved food supplies have reduced death rates.

An important aspect of the world food problem is the need to bring birth rates into balance with food supply, and some progress is being made in this direction. Governments of several LDC's have begun campaigns to encourage family planning. Clues to the success of such campaigns are scarce, since the registration of vital statistics in most underdeveloped countries is incomplete. The most encouraging signs come from Chile, Hong Kong, Singapore, Taiwan, and Trinidad, where birth rates have fallen so fast that the number of babies born in 1966 was less than in 1960. Fairly clear signs of a decline in the crude birth rate are now coming from Ceylon, Costa

Rica, Jamaica, and West Malaysia. There are no clear indications yet of downward trends in birth rates in such big countries as Brazil, India, or Pakistan because of lack of statistics; we can only hope that intensive birth control programs there are as successful as they have been in some smaller countries.

Over the past two decades, food production per capita has increased in the less developed countries at an annual rate of about one-third of 1 percent, whereas food consumption per capita has been increasing at almost one-half of 1 percent. The difference between production and consumption has been made up by increased food imports from the developed countries. Food imports by the LDC's have been mostly grain to increase the calorie intake.

DEVELOPMENT WITHIN THE LESS DEVELOPED COUNTRIES

Since World War II, sixty less developed countries have become independent. Almost without exception, they have immediately embarked on a program of economic development. These have had varied success, but in general they have brought about some improvement in per capita income, 1 to 2 percent annually. With rising incomes, people demand more food. They also desire higher quality food, which requires greater agricultural resources for their production.

More than 50 percent of the world population has an annual income of less than $100 a person. At low income levels, a high percentage of total expenditures is for food, and a large part of increases in income will go for food. As incomes rise, if increased supplies are not available, food prices go up, and the poorer people whose ability to buy has not improved can obtain even less food.

The impact of population on food supplies in the developing countries is accentuated by the concentration of people in cities. The extremely rapid growth of urban population compounds the problem because it imposes the difficult task of improving the distribution system so food can be moved from producing areas to urban areas. When this task is not accomplished, urban centers have to rely on imports for much of their food supplies.

AVAILABILITY OF FOOD AID

The United States has long shown a great concern for the hungry people of the world. Immediately after World War II, agricultural aid programs were instituted to supply food to war-torn areas of Europe. In the early 1950's, following a severe drought in India and Pakistan, special wheat loans were made to these countries.

During the 1950's American farm output increased approximately 2.5 percent per year, whereas consumption was increasing at a much slower rate. Surpluses of several agricultural products began to build up. In an effort to dispose of these surpluses and at the same time give foreign countries an opportunity to obtain agricultural products which their limited foreign exchange would not permit them to buy, Congress in 1954 enacted Public Law 480. Since that time, the United States has shipped over 135 million metric tons of wheat and about 40 million tons of other grains under this program.

The policy of the United States is to encourage and assist the developing nations of the free world to develop economically and to improve their own food production so that they will become less dependent on food aid. A very significant feature of the Food for Freedom program is the requirement of self-help efforts to accelerate food production within the food deficit countries themselves. Food aid probably will continue to be needed for the next decade. But dependence of the LDC's on food aid should diminish as they accelerate agricultural development and economic growth to a level where they can produce or commercially import their food requirements.

NEW TECHNOLOGY

There has been a growing awareness of the high priority developing nations must place on agricultural progress. In the 1950's and early 1960's, many LDC's assumed that the road to economic growth was through industry, not agriculture. In the past the United States also sometimes showed a lack of concern for agricultural development programs by stressing industrially oriented aid programs. This did not work. Our recent strong emphasis on agricultural development as a condition for food aid has strengthened a trend among some governments toward greater emphasis on agriculture.

Thus, we find a new climate for agricultural development in some of the LDC's, especially in Asia. Farm prices are higher, making it profitable for farmers to use modern inputs such as fertilizer. These improved price levels are to a considerable degree the result of scarcity. But they also reflect a change from the cheap food policies which have helped keep farm output at depressed levels.

Even with previous technology, this combination of higher prices and expanded fertilizer availability would probably have caused a significant upswing in food output. But the key to present prospects is new technology in the form of high-yielding varieties of wheat, rice, corn, and sorghum. These new varieties are especially responsive to heavy doses of fertilizer, as many old varieties were not. When grown under proper conditions, they produce yields which are double or more than double those of the old seeds.

High-yielding dwarf varieties of wheat, developed with the support of the Rockefeller Foundation in Mexico, are proving adaptable across Asia as far north as Turkey and as far south as India. They are also beginning to be introduced in North Africa. In India and Pakistan, Mexican-type wheat now covers an estimated 15 to 20 percent of the wheat acreage.

High-yielding tropical rice varieties are more recent. The International Rice Research Institute in the Philippines, a combined Ford-Rockefeller venture inaugurated in 1962, has developed two new tropical varieties (IR-8 and IR-5) with yields equal to or better than the temperate zone varieties of Japan and Taiwan. The IRRI rice varieties are not yet as widely disseminated as Mexican wheat. In the 1968-69 crop season they will be planted on perhaps 4 million hectares or about 5 percent of the total rice land in South and Southeast Asia.

It is difficult to evaluate the increase in production from the new varieties. However, a rough estimate, based on very limited information, is that with the new varieties rice production in the region this year will be about 7 percent above what production would have been without them. This, of course, will be a major accomplishment, but the impact is still much less than the overall effect of weather which often causes a 15 to 25 percent fluctuation in rice yields from year to year in South and Southeast Asia.

It seems unlikely that the new rice varieties will quickly spread beyond about 10 percent of the rice area—50 percent of the irrigated area—in South and Southeast Asia. Therefore, the immediate potential is for another 7 percent increase from the new rice varieties. This is hardly a complete solution to the grain problems of the less developed countries.

Several factors will impede the new-variety programs. Most of these wheat and rice varieties will become susceptible to local diseases and insect damage. It is highly probable that new microorganisms, previously unimportant, will become major causes of disease as field microclimates are altered by heavy fertilization and the dense plant population of the new varieties.

Without large investments in irrigation facilities, the potential of high-yielding rice varieties will not be realized in South and Southeast Asia. The older and most of the new irrigation systems in this area are unsuitable for the new varieties. Only those farmers with reliable irrigation can afford the risk of the high cash costs of fertilizer and insecticides required by the new varieties.

Because of the short growing season of the new grains, hopes have been raised concerning widespread multiple cropping. However, it has recently been estimated that the potential land for double-cropping of rice under existing irrigation is less than 10 percent of the total rice area in South and Southeast Asia. Also, the lack of rice-drying facilities may impede the spread of the new varieties.

In terms of quality, there is at least a short-run problem in several countries. The new rice is considered inferior to traditional varieties in milling qualities and taste. These characteristics, however, should be bred out in a few more years.

Other factors may impede dissemination of the new wheat and rice varieties. As the immediate food crisis abates, the priority given agriculture could weaken. Farm prices could fall below incentive levels in some areas, discouraging the modernization of agriculture. Fertilizer availability may not keep pace with demand.

Technological advance does not mean certain attainment of food self-sufficiency by hungry nations. Population growth continues, and demand for food will grow even faster as incomes rise. Even if production in these countries improves to the point where it could supply minimum dietary needs, internal marketing and distribution institutions might not be able to bring the food to the right people. Also, calories alone will not meet the special nutritional needs of infants, pregnant women, and nursing mothers.

OUTLOOK FOR GRAIN PRODUCTION AND TRADE

Wheat

Highlights of recent developments in wheat production and trade are:

1. The Soviet Union had two extremely poor crops in 1963 and 1965. The 1963 wheat crop was down 26 percent and stocks were low, resulting in large imports—23 million tons in the four-year period to 1967-68. The 1966 crop was almost double that of the previous year, that of 1967 was very favorable, and 1968 appears to be slightly better than 1967.

2. India and Pakistan had two consecutive years of drought in 1965 and 1966—the most severe of the century. These countries imported 27 million tons of wheat between 1965-66 and 1967-68. The 1968 wheat crops in India and Pakistan were 35 and 37 percent, respectively, above the previous 1965 highs.

3. Mainland China has become a major importer. In the seven years prior to 1966-67 China imported 34 million tons of wheat, mainly from Australia and Canada, but also from Argentina and France. There is evidence of wheat deficits in the large coastal cities of the north. Also, it appears that imported wheat is being substituted for higher priced rice which is then being exported.

4. Canada and Australia have expanded production and trade as a result of becoming major suppliers for the Soviet Union and Mainland China. As the market in the U.S.S.R. has fallen off, stocks have built up in Canada and now exceed those of the United States.

5. France has become a major exporter, responding to the higher EEC price and restitution payments on exports. This has become costly to the EEC.

6. U.S. wheat exports rose from 18 million tons in 1960-61 to 24 million in 1965-66, then fell to 21 million in 1967-68. Commercial sales accounted for only 36 percent of U.S. wheat exports in the period 1959 to 1963 but were 47 percent of the total in 1967-68.

The world wheat outlook for the near term is for ample supplies for domestic use and export, continuing pressure on prices (in spite of the International Grain Arrangement), and a slowdown in the growth of import demand. The United States has already responded to this "bearish" outlook by reducing its 1969 wheat allotment 12 percent to 51.6 million acres.

This wheat outlook is based upon the expectations that:

1. The developing countries will sustain their recent growth in production, which will lessen the need for food aid.

2. The per capita demand for wheat for food in most developed countries (Japan being an exception) will continue to decline as incomes increase.

3. The Soviet Union will continue its traditional role as an exporter.

4. Production in the major exporting countries will continue at the relatively high levels of the last few years.

5. Among the major producers, there will be no crop failures of the magnitude of the 1963 harvest in the Soviet Union and the 1966 harvest in India.

Rice

World rice production changed little during 1963-66, and international prices have risen sharply in recent years despite import substitution of wheat and other grains. The 1967-68 world rice harvest increased almost 10 percent, reaching record proportions in India, Pakistan, Japan, the Philippines, and the United States. Mainland China reportedly harvested a near-record crop, substantially larger than in the previous year. However, the harvest in Thailand, the largest exporter in the Southeast Asian Rice Bowl, was cut about 15 percent by drought, and the crop in Burma was only a little larger than the poor crop of 1966-67.

Although the world rice crop reached a new high, exportable supplies were relatively small in 1968. In 1967-68, the United States became the leading rice exporter—U.S. exports amounted to 1.9 million tons (milled), including about 1.1 million tons of commercial exports. The bulk of the government-financed shipments went to South Vietnam and Indonesia. Western Europe is our largest commercial market.

Forecasts for 1968-69 point to greater supplies in both exporting and importing countries. Under growing pressure of mounting stocks and record production, world rice prices appear to be leveling off.

Coarse Grains

Production of coarse grains has increased about one-fourth in the past decade and exports have more than doubled. The United States accounts for 60 percent of coarse grain exports.

The continuing expansion of domestic coarse grain production in all countries except Japan leaves trade prospects for grain exporting countries, including the United States, somewhat dim. Even in Japan, there is strong evidence that increased availability of coarse grains by 1970-71 from countries such as Australia and Thailand will reduce the traditional market share of other suppliers, particularly the United States. High grain price policies pursued by some importing countries, such as those in the EEC, work against import demand expansion in two ways—domestic production is encouraged and demand for feed grains is dampened.

The tremendous production potential inherent in some exporting countries and the dependence of others on grain for export earnings augurs for continued efforts to expand exports. Development of the livestock and poultry industries in some countries, however, will tend to retard increases in export availability. Even if international grain prices do decline, major importers will not increase their imports as long as high domestic prices are insulated by import controls.

SUMMARY

The less developed countries have made considerable progress in increasing agricultural production. However, in most countries, development has fallen short of expectations and has not been sufficient to meet the expanding demand for food coming from a rapidly growing population and some increase in per capita income. In many countries, this gap has resulted in greatly increased imports of grain, largely as food aid from the United States.

Per capita food consumption and nutrition must improve at a faster rate than in the past decade. Food trade and food aid will likely continue to make important contributions to diet improvement as well as economic development. However, the gap will eventually have to be filled largely within each country itself.

Most less developed countries have the potential for increasing food production sufficiently, or improving their ability to buy food, to insure enough food in the future to feed the rapidly expanding population at acceptable levels of nutrition. Even if production does not accelerate in the LDC's, there is sufficient capacity in the developed countries.

There is an improved climate for agricultural development in the less developed countries. This new attitude, along with new, high-yielding varieties of wheat and rice and greater availability of fertilizer, is a bright new hope for much of the hungry world. However, these developments are not the total solution to the world food problem. Much must still be done before food supplies will be assured for the majority of the human race.

TRADE AND INTERNATIONAL COMMODITY PROGRAMS

Vernon L. Sorenson
Professor of Agricultural Business Management
Michigan State University

The search for solutions to problems in international commodity trade has been more actively pursued during the past five years than at any previous time in history. Long negotiations in the Kennedy Round were aimed both at tariff questions and at establishing international commodity arrangements. The need for improved commodity trading arrangements was emphasized by developing countries at the first United Nations Conference on Trade and Development (UNCTAD 1) in Geneva and at UNCTAD 2 in India.

The unique feature of both the Kennedy Round and the UNCTAD discussions is the emphasis placed on seeking solutions to trade problems through organized commodity arrangements. While only limited progress was made, the need for further international market organization is still widely asserted by less developed countries and by at least some important member countries of the EEC. Thus, despite continued hesitancy on the part of the United States to accept this approach (except where market access for U.S. exports is involved), the potential role of international commodity agreements is a live issue and needs to be assessed in relation to trade problems of both advanced and developing countries.

INTERNATIONAL COMMODITY AGREEMENTS

Many have argued that international commodity agreements are difficult to negotiate and administer and that even if these difficulties are overcome, they will lead to a misallocation of resources by stimulating usually too much, but possibly too little, production and prevent movement of production to the lowest cost locations.

The first part of this argument is partly substantiated by past events. Despite attempts since the 1920's, agreements have been negotiated successfully for only five commodities (wheat, sugar, tin, coffee, and olive oil), and only those for wheat, coffee, and tin have operated with a degree of continuity.

Difficulties in arranging and administering agreements stem partly from technical problems surrounding the production and trading of products. Among other things, commodities must be identifiable by grade, in some cases storable, and not subject to competition from close substitutes. Moreover, conflicts of interest between importers and exporters have to be overcome. On competitive imports, importers want low quantities and high prices. On noncompetitive imports they want lower prices with quantities determined by demand. Exporters would like both higher prices and greater quantities. While these limitations are real, there appear to be a number of commodities or combinations of commodities for which compromise of short-term special economic interest to seek broader goals is at least worth discussing and in some cases may even be amenable to effective negotiation.

The argument that commodity agreements have limited usefulness because they lead to misallocation of resources should not be accepted without reservation. This implies that economic efficiency is the sole criterion for judging the effect of a policy action. This kind of judgment can be countered in three ways. First, if I interpret welfare economists correctly, the central burden of their argument is that in today's world of oligopolistic industrial structures and government guidance of economic activity, there is no basis for assuming that the best outcome is achieved by making any given market conform more closely to the perfectly competitive model. Second, it is clear that no government acts strictly on an efficiency criterion either in its domestic agricultural policy or its international commercial policy. Achieving other ends may be worthwhile even at the expense of some economic efficiency. Third, we need to look at the possibility that commodity agreements, if properly designed, can serve a purpose in improving resource use.

It is apparent that the international distribution of production is greatly affected by government policy and all manner of trade restrictions that serve national goals. Both import restrictions and export aids are used to provide income protection for agriculture in all industrialized countries. For less developed countries, import substitution policies and export taxes—usually through export marketing boards—are used extensively and justified on the basis of their contribution to more rapid economic development. Given these conditions, we need to ask whether formalized agreements that have as a central purpose orderly and gradual international adjustment of production have a potential role in the future. If we grant that the case against commodity agreements on efficiency grounds may be ambiguous, then at least two other issues have to be raised.

One issue is whether commodity agreements can achieve greater market stability. A stated aim of all commodity agreements developed during the postwar period has been to moderate price fluctuations. Since the principal reason for price fluctuations is variation in supply, the methods used involve some form of stabilization of the quantities exported or specification of the quantities or proportion of the product traded under the agreed pricing relations.

The second issue concerns the role of commodity agreements in transferring income from rich to poor countries. Many new underdeveloped countries are seeking accelerated rates of economic development. Major capital imports are required to fulfill growth targets and these must be paid for. By far the most important source of foreign exchange earnings for underdeveloped countries has been exports of agricultural commodities and raw materials and, at least in the short run, the most apparent basis for expansion of their foreign exchange earnings is through an increase in the value of commodity exports.

For commodities produced largely in poor countries and consumed largely in rich countries, income transfers may be achieved through agreements that maintain prices above market levels if price-demand is inelastic. For commodities produced in both rich and poor countries, even greater income transfers may be achieved if agreements enable poor countries to increase the proportion they supply of consumption in advanced countries.

Obviously these three effects are not independent. Stabilization of prices may affect resource use simply by influencing producer expectations. In agreements that seek price stabilization, the determination of an appropriate price or range of prices may be weighted heavily by the negotiating power of involved countries. This means that the difference between price stabilization and price adjustment that involves income transfers over time becomes obscured. Further, any agreement designed to perform an aid function by transferring income from rich to poor countries will stabilize prices and may affect resource use.

COMMODITY ARRANGEMENTS AND TRADE PROBLEMS OF ADVANCED COUNTRIES

The only example of a commodity agreement where the main export and import interests are in advanced countries is in wheat. The agreement used involves establishing minimum and maximum prices within which agreed quantities or proportions of trade are conducted. The remainder of trade is left to adjust to outside market forces and policy conditions. In principle, the advantage of this form of agreement is that it seeks to provide a degree of price stability for both exporters and importers without at the same time requiring direct action to control quantities supplied in the world market. It essentially sets up a two-price system for world trade with a primary market where price is controlled and a residual market that absorbs the difference between agreed prices and quantities and the market equilibrium.

The degree of stabilization achieved in this kind of agreement depends on both the price range that is set and the proportion of the traded commodity covered. The burden of maintaining compliance by importers and exporters when market prices exceed the established ranges is the principle problem in implementing this kind of agreement.

The first wheat agreement was established in 1949 and included five exporters and 37 importers. Through 1967 this agreement was revised several times. In each case it included a maximum and a minimum trading price among members and specified quantities or percentages of trade that were to be included. These initial agreements have been replaced by the Wheat Trade Convention arrived at as part of the Kennedy Round. The objectives of the Trade Convention are similar to those of previous wheat agreements and, in addition, certain industrialized signatory countries are to provide annually a total of 4.5 million metric tons of wheat or cash equivalent for food aid. The trading provision of the new convention differs somewhat from previous wheat agreements but the basic concept of establishing maximum and minimum prices for specified quantities of trade is not changed.

The wheat agreements appear to have had some, but probably only a limited, effect in stabilizing wheat prices. From 1949 to 1953 the agreed price maximum was below world market prices, and a saving accrued to importers. Until the last few weeks no real test had been made of the effectiveness of the minimum price range. Prior to about 1964, world trading prices were maintained above the minimum wheat agreement price largely by the storage program operated in the United States, and from 1965 to 1967 a general decline in world food grain stocks maintained prices at relatively high levels.

These conditions are not likely to be repeated in the immediate future. The United States has moved to a two-price program on wheat, and if maintaining the wheat agreement prices on international sales begins to result in a loss of markets, the United States will probably sell wheat below the minimum agreed price if necessary to keep our outlets. Further, world supplies of wheat are in a massive upsurge. World price trends are down on commercially traded wheat and, more importantly, major increases in output of food grains in India and Pakistan as well as other Asian countries may soon lead to little drawing off of excess supplies as food aid. With these market conditions, arrangements under the wheat agreement could break down and result in competitive price bidding and confusion in international wheat markets.

But, will this be reason to abandon the notion of international agreements in solving trade problems of advanced countries? Or, alternatively is this the point at which objectives should be changed and international agreements sought that deal with some of the underlying conditions of market problems? Industrial countries have yet to talk seriously about these kinds of problems in trade negotiations. International commodity agreements that incorporate not only trading prices and quantity ranges but also responsibilities of both exporting and importing countries in limiting and guiding production would be required. It would not be adequate for the United States to approach this kind of negotiation in wheat or even grains alone without being willing to consider items of interest to principal negotiating partners, particularly dairy producers in Western Europe. The scope of international commodity arrangements would have to be broadened as well as deepened, and the notion of reciprocity would be fully as important as in tariff negotiations.

Achieving these kinds of agreements would not be easy. From the U.S. point of view we would probably have to abandon the notion that trade negotiations are largely a matter of opening someone else's protected market. Successful agreements would have to include all major trading countries and would have to seek to coordinate trade and agricultural policies to reduce inefficient production and promote mutual interest. If domestic price-support problems in North America and Europe simultaneously become severe enough, as there are indications they might in the near future, then the basis for mutual coordination may exist.

Regardless of the kind of pressures that arise, there are limitations on the rate at which change can be made. Countries that have high price supports have basic underlying problems of agricultural organization, small farms and inefficiency. Under these conditions, reduction in protection and adjustment in production can proceed only on a gradual and controlled basis. Despite these limitations, detailed discussion to evaluate economic conditions and policies in order to develop agreements that move toward desirable rationalization of trade and production patterns should be sought. In the past, the desire for national protection has largely frustrated attempts to achieve improvement through straightforward bargaining for reduction of national barriers, and I see little possibility that this will change. Seeking agreements that attempt to deal mutually with the problems of importers and exporters and provide the basis for a controlled rate of change might be at least worth trying.

COMMODITY AGREEMENTS AND LESS DEVELOPED COUNTRIES

The second main question on commodity agreements is whether they can or should be used to improve the trading position of less developed countries. Their problem has been cast in the following perspective. The UN has set a goal of achieving a 5 percent average annual growth rate for less developed countries. This would require approximately a 5 percent annual increase in imports, which can be paid for only through aid or foreign private investment from advanced countries or by exports. Even with optimistic estimates of increases in aid and foreign investment, it is apparent that a major increase in export earnings will be required.

Expansion in exports from underdeveloped countries, however, has been slow for a number of reasons. First, there has been a relatively slow growth in demand in advanced countries both because population expansion has been modest and because income elasticity of demand for many of the commodities exported by less developed countries is very low. Second, because of a secular decline in the terms of trade, foreign exchange earnings have increased less than real quantities exported. Imports into advanced countries also have been seriously restricted because of internal price-support policies and efforts to expand domestic production through agricultural protection programs.

The measures suggested by the UNCTAD to expand exports of less developed countries include liberalization of access to advanced country markets through reduction of tariff and quota restrictions, a program to offset the inroads of synthetics into the markets for natural raw materials, and, most importantly, the development of a series of international commodity agreements. Commodity agreements are viewed not merely as instruments to overcome market fluctuations in the short run but also as instruments to increase over time the transfer of income to less developed countries through maintenance of price and through access arrangements into advanced country markets.

Only two agreements of major consequence to less developed countries have operated effectively for any length of time, and both emphasize price stabilization. A buffer stock type agreement was implemented for tin in 1956. This arrangement involved setting a range within which prices are allowed to fluctuate. A stocking agency was established to implement support purchases if prices reached the lower limit and to sell if they reached the upper limit. The arrangement was intended to protect both exporters and importers from extreme price fluctuations with a minimum of direct market interference. Theoretically, if prices are set to bracket the long-term supply-demand equilibrium and if the range is not too wide, a stabilization effect through buffer stocks can be achieved without a heavy financial commitment. Short of this kind of foresight, inability to control upward price fluctuations or heavy accumulation of inventories and burdensome financial requirements may result. The latter occurred with tin in 1958, and the program has since relied more heavily on export quotas as a method of control.

The other relevant case is coffee. A coffee agreement was first initiated in 1962, and a new long-term agreement was signed in 1968 by 66 member countries to be effective until 1973. The agreement prescribes price limits beyond which world prices are not to be permitted to move, and these price limits are enforced through export quotas allocated to member exporting countries in proportion to a historical base period.

The coffee agreement appears to have had some effect in stabilizing world coffee prices, particularly since 1964, with the adoption of adjustable quotas that change even within a marketing year in relationship to price pressures. It may also have succeeded in achieving higher export earnings for coffee producing countries than they would have had without the agreement. But the agreement has also created a major problem: The surplus of coffee in some major producing countries has reached or exceeded total annual export requirements, and total world surplus stocks have become substantial.

Problems of implementation have arisen in both the coffee and tin agreements. Despite these problems, commodity programs as a tool for providing aid probably should not be rejected out of hand. Certain differences in aid and stabilization agreements could become important. First, while stabilization agreements are looked upon as a tool for affecting returns to producers in exporting countries, aid agreements could be more directly incorporated into a development plan and could primarily be concerned with increasing national export earnings without the proceeds necessarily going to producers of the export commodity. This would have a major implication for the problem of supply adjustment and would overcome at least to a degree the resource misallocation effects attributed to marketing agreements.

A second important difference is that participation by advanced countries would force them to consider aid-giving responsibilities along with the question of import prices in deciding the extent and nature of their participation. Also, in the case of competitive imports such as sugar, it would directly call into question domestic price-support programs in terms of their relationship to aid objectives. Further, it would be aid extracted directly from consumers or raw material users in the form of higher prices on imports and would not require government appropriations. This could be a political advantage.

The use of marketing agreements as a tool for expanding aid also has to be considered in terms of whether appropriate institutional arrangements can be established to implement them and in light of their efficiency relative to alternative methods of giving aid. Undoubtedly, establishing effective procedures for administration and control would not be easy. It would at a minimum require broad participation and agreement by all major importers and exporters. In the case of alternatives, both traditional methods of granting aid and an additional approach that relates aid to level of commodity exports have to be taken into account.

Currently the International Monetary Fund operates a modest program whereby compensatory loans are available to less developed countries that have an annual shortfall in foreign exchange earnings due to commodity price declines. This compensatory financing scheme is operated strictly as a program to offset short-term market instability, and recipient countries are expected to repay the loans within a five-year period. The UNCTAD has proposed that the terms of this financing be liberalized and that repayment be made contingent upon recovery of export prices to a specified predetermined level. In effect, this becomes a nonrecourse loan where repayment is required only if trading prices are high enough that repayment can be made out of export earnings above a given minimum.

Whether viewed as a short-term device for achieving stability or as a method of income transfers, compensatory financing schemes have some advantages over commodity agreements. They involve less direct interference in market operations as well as in the policy and production goals of exporting countries. They remove uncertainty from the market and avoid many of the technical and administrative problems associated with commodity agreements. They are attractive to less developed countries inasmuch as a system or formula is established for automatic drawing of funds. It is, of course, only a short step from low interest loans with repayment required only if certain price conditions arise to proposals for commodity related income payments to meet a specific price.

Transferring income internationally through commodity arrangements has much in common with transferring income to farmers through domestic programs, both in terms of effects and the problems involved. Commodity agreements would achieve income transfers through manipulation of prices while compensatory financing gets closer to letting commodity prices seek their own level and making supplementary or deficiency payments. In either case, a major disadvantage is that the greatest amount of aid or income supplement goes to those that sell the most. This is not necessarily the best way of redistributing income either domestically or internationally. For this reason and because of costs associated with their operation, commodity arrangements can be considered an inferior method of providing aid. From the viewpoint of less developed countries, however, they seem to have great political appeal and may have some political advantage in advanced countries.

CONCLUSION

I agree with others that the commodity agreement approach to solving international trading problems would involve many difficulties. Seeking coordinated action among different groups of nations even though institutions are already established for that purpose would be difficult. Further, there are both technical and economic limitations on the role that commodity agreements can or should play.

At this stage I would not venture to guess what proportion of commodity trade could be effectively organized nor do I have an opinion on how much should be conducted under agreements. My only suggestion is that a philosophical resistance to commodity agreements should be avoided by U.S. policy makers, and an honest effort should be made to evaluate the possibilities of improvement through organized international arrangements. In the case of advanced countries, the basic need in trade policy is to seek cooperation that will reduce the chaotic conditions created by import restrictions, export aids, and production that is not in line with market requirements.

Very little success has been achieved in reducing trade barriers through confrontations for tariff bargaining. Given the inherent problems of agriculture, especially in high cost countries, and the fact that the consequences of open ended reduction in trade barriers are immediate and indiscriminate, this is not surprising. No country, including the United States, has been willing to accept these consequences on their high cost agricultural production. The changes required to liberalize trade and adjust domestic policy need to be controlled and implemented at a rate that governments can accept politically. This kind of coordination implies something more in policy than rounds of tariff negotiations and a search by individual negotiators for special advantage in each other's markets.

In the case of less developed countries, their expressed interest in commodity agreements to stabilize export earnings is not aimed at short-term cyclical price swings but really involves a search for upward stabilization that will provide a measure of development aid through commodity trade. While there are disadvantages in providing aid in this way, there are also advantages. Importantly in the case of marketing agreements, the income transfer is disguised, and this may serve to ease the conscience of both donor and recipient countries. The close analogy between domestic price supports and commodity agreements may also mean that commodity agreements would be politically more acceptable in donor countries than either compensatory payments or direct aid. Again, while I have no positive suggestions on how much application commodity agreements might have for this purpose, they should be openly considered in the light of an aid objective and not rejected through a priori reasoning that questions only their effect on efficiency and resource allocation.

Finally, there is another and more general imperative for U.S. policy and trade experts to think through the role of international commodity arrangements. The first postwar era of international commercial diplomacy probably has passed. This era was dominated by U.S. leadership in successive rounds of tariff negotiations that sought to promote the idea of free trade in a traditional sense. But the EEC and the EFTA have now assumed increasingly important roles and, in addition, the less developed countries have succeeded in becoming a cohesive group in the UNCTAD. Not one of these groups wants to talk free trade when it comes to agricultural commodities. Increased organization of international markets is the official position of both the less developed countries and the EEC, while the U.K. and the EFTA have quietly moved ahead with a trade agreements program. With this state of affairs facing us, we can hardly afford to ignore the position of these groups. After all, they comprise most of the rest of the non-Communist world.

PART III

Agricultural Policy Alternatives

THE CHANGING STRUCTURE OF AGRICULTURE

*John O. Gerald, Agricultural Economist**
Marketing Economics Division, Economic Research Service
U.S. Department of Agriculture

Structural analysis of agriculture means more than just the organization of agriculture for production with particular reference to sizes and types of farms. It also involves analysis of the resource allocation and pricing processes as these affect, and are affected by, the structure of firms in existence.

It is relatively simple to describe the structure of agriculture and how it is changing, and to state some widely accepted hypotheses concerning why the structure is changing. But when we come to the critical task of evaluating past performance and the means for improving future performance, we find that the hypotheses concerning the implications of the changes in structure are much less widely accepted.

THE STRUCTURE OF AGRICULTURE

Agriculture has an atomistic structure with few if any exceptions. The 3.1 million farms in the United States in 1967 are not likely to constitute a structure in which the typical commercial farmer takes account of the probable reactions of other commercial farmers in making his production decisions. Even in the year 1980 when the number of farms is projected to be 1.7 million, or the year 2000 when the number is projected to be only 585,000, we see no reason to think that a typical farmer will be able to affect the prices he pays or receives.

There is quite a wide distribution of sizes, types, and locations of farms in agriculture. In 1967, 183,000 farms had sales of $40,000 or more, 318,000 had sales of $20,000 to $39,999, and 492,000 between $10,000 and $19,999, while 2,153,000 had sales of less than $10,000. The one-third of the farms that are largest in size account for over 85 percent of sales. Those farms having cash receipts (including government payments) of $20,000 or more in 1966 are estimated to have received 107 percent of the returns they could have received from alternative uses of their resources. Those having returns of less than $5,000 received only 43 percent of their "parity returns." By far the most farms are in the North Central and Southern states.

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*The views expressed herein are those of the author and do not necessarily reflect those of the Economic Research Service or the U.S. Department of Agriculture.

Farms are quite heavily capitalized—over 215 billion dollars in 1967. Real estate accounts for about 165 billion dollars of this. Average assets per farm worker in 1967 were $41,000 as contrasted with $3,000 in 1940. Although farmers have average incomes below those of nonfarm persons, the farm family has a net worth almost five times as great.

This heavy capitalization nonetheless is not accompanied by widespread incorporation. There are only 6,703 corporate units in the twenty-two states for which reports are now available. These represent 0.7 percent of total farm units and 4 percent of cash receipts in these twenty-two states. Over 80 percent of these units were family or individual corporations. Part-ownership—father-son arrangements, in many instances—is much more prevalent than corporations as an ownership form. One-fourth of all our farms are part-owner units. These include one-half of the land in farms. Tenants account for about a fourth of our farm units, and sharecroppers are so few that they are no longer reported as a separate group.

CHANGES IN STRUCTURE

Early Agricultural Development of the United States

The United States is handsomely blessed with land and water resources. Before Adam Smith wrote *The Wealth of Nations*, England, France, Holland, and Spain were already in the process of developing these land resources. Unutilized or underutilized human resources from Europe and captive human resources of Africa were settled on lands accessible to coasts and navigable rivers. Much of this population knew how to farm and little else. Over 90 percent of our population was on farms during colonial days.

Land situated on navigable waters was soon filled. Toll roads and canals were extended inland in attempts to commercialize new lands. Land with no access to means of transport accommodated a self-sufficient agriculture for a while. The pace of immigration then began to build up American cities.

The advent of railroads provided the technical means for reducing transport costs by as much as 50 to 1. But the railroads served in one respect to delay the industrialization of the United States. They helped to retain a comparative advantage for agriculture in this country. As important perhaps, land was made available to anyone who settled on it. This was, and still is, a policy of our federal government.

The number of farms increased very rapidly as railroads advanced into new lands—from 1.5 million in 1850 to 6.5 million in 1920. Land in farms grew from 294 to 956 million acres over the same period and the value of land and buildings on farms from 3.3 to 66.4 billion dollars. The distribution of population shifted even more heavily toward rural areas and farming. In 1850 there was one farm for each 16 persons but this changed to one farm for each 12.5 persons by 1880. By 1920, a reversal had set in and our urban population had grown so that the the number of persons per farm was back to where it was in 1850. Nonetheless, we did not reach our peak of 6.8 million farms until 1935.

Technological Change Leads to Further Agricultural Development

Change did not cease at the end of our railroad building era. By 1964, we had only one farm per 61 persons. Cropland harvested per person dropped from 3.3 acres in 1920 to 1.5 acres in 1964. The value of land and buildings on farms rose from 66.5 to 160 billion dollars. The number of farms dropped from 6.5 to 3.2 million.

Most of you know the generally credited causes of these dramatic changes since 1920. The exploding population of Europe in the eighteenth and nineteenth centuries could not be adequately fed and clothed by land settlement of the United States only. Capital intensification of U.S. agriculture was delayed by the small industrial capacity of the nation. Land resources of Canada, Mexico, South America, Africa, Oceania, and Asia were also opened to development. U.S. agriculture then lost some of its early comparative advantage.

Technological change in farming methods, once put in stride by a reasonably prosperous agriculture during the two World Wars and the Korean War, was rapid. Petroleum replaced hay and feed grains as a source of farm energy, releasing about 90 million acres of land from the production of feed for draft animals to other uses. Commercial fertilizer and pesticides have been substituted for land. In addition, output rose from improved seeds, better and more timely cultivation, planting, and harvesting practices.

The 125 percent increase in farm output from 1910-14 to 1967 required only a 28 percent increase in inputs. Farm-supplied inputs in 1967 were actually less than 50 percent of what they were in 1910-14. Purchased inputs increased 164 percent. These figures clearly reveal the relatively low capital intensity of farms in the early 1900's.

Substitutions of this magnitude in farm inputs occurred only with major relative changes in the state of technology, productivity, and real prices of inputs. Land prices rose from the near-zero level prevailing in the railroad building era. Labor prices rose sharply. But prices for power, machinery, fertilizer, and liming materials (not to mention high-quality management services) rose less rapidly. Indexes of prices (1935-39 = 100) in 1955-59 were: output, 221; fertilizer, 151; machinery, 191; land, 325; and labor, 455. To the extent that fertilizer and machinery could be substituted in large measure for land and labor, without adversely affecting productivity, farming became more (or more nearly) profitable over this period.

Agriculture in 2000

Some of these purchased inputs, especially power and machinery, encourage expansion of farm scale. However, it now appears that most of these efficiencies are achieved when farms reach the scale of 2 to 4 man years of labor input per year. Also, very high levels of technical competence are necessary on specialized farms to realize the economies of size made possible by some of this power and machinery, and this degree of technical competence among farmers has been scarce. Agriculture has attracted relatively few well-trained young men, and the average age of farmers and full-time farm workers is still climbing. These factors may lead more and more to specialized farming but with custom farming operations rather than on-farm provision of services. So, as the process of making agriculture more efficient in resource use proceeds, we can expect to see increases in land leasing, nonowner management of land, customized farming operations, and further capital intensification.

The question is, how fast will this specialization proceed? Projections by Rex Daly of the Economic Research Service indicate that farms with annual receipts in excess of $10,000 will only increase from 990,000 in 1965 to 1,060,000 in 1980 but that in 1980 such farms will include almost half of all farms. In 1965, they accounted for only 29 percent of all farms. Large farms with cash receipts of $40,000 or more are projected to almost double, from 170,000 in 1965 to 335,000 in 1980. Small farms with cash receipts of less than $5,000 are projected to decrease from 1,860,000 to 855,000.

This, then, is a view of the changing structure of agriculture and why it is changing. As an economic activity, agriculture is finding that its production function is responsive to technical advance and to changes in the relative prices of inputs. It is finding that its demand function is responsive to changes in consumer incomes and in the relative prices of outputs. It is finding that it needs knowledge of new technical coefficients of production, new conditions in the supply of inputs, new conditions in demand for outputs, and new conditions in the supply of capital funds. These new facts and conditions are arising at an ever increasing rate.

As Sune Carlson pointed out in 1939 in his classic essay, *The Pure Theory of Production,* these are "the forces which influence the entrepreneur in his decisions on what to produce and what methods of production to use." A rational and informed entrepreneur will operate within the forces to maximize their contribution to his own personal goals. As these forces change, so do the plans and actions of the entrepreneur. This responsiveness of individuals to the set of incentives facing them offers a natural means for outsiders to use in changing actions.

SOME IMPLICATIONS OF PAST AND PROSPECTIVE CHANGES IN STRUCTURE

Outside forces have altered conditions facing farmers. Some, but not all, of these alterations have been made by the government. Free land and low transport costs, in part a result of land grants to railroads, are examples from days when government was expected not to meddle in private initiative. More recently, control of marketing and direct price supports for dairy products, wheat, and cotton, with no similar action for feed grains and meats, may have contributed to a shift of consumption toward fruits and vegetables, meat, and synthetic fibers. Increased consumer incomes are usually credited for these. With recently increasing prices of animal products, relatively, as a result in part of feed grain and other programs which have diverted land to soybeans, consumption may be tending to shift again to crops, but this time in the way of plant protein analogs as substitutes for meat and milk products.

Distribution of Assets and Income

The effects of explicit agricultural policies of the past have usually been reflected in changes in land values and in prices of food and fiber to consumers. We have used practically all devices imaginable in providing, and then maintaining, value to a natural resource with which the United States fortunately is well blessed and which, due to many factors some of which cannot be specified, was rapidly developed through a conscious policy of the federal government.

Some economists claim that such devices have been regressive in terms of equality of income distribution. If so (and it may be true only in regard to farm income distribution), why did we do all these things? There seems to be a consensus that we did them in futile attempts to alleviate poverty of certain groups of people or, in other words, to achieve more nearly equal distribution of income.

Most of these policies have had the longer-run effect of drawing resources into and then retaining them in agriculture. The long-run elasticity of supply for agriculture has been high.

But this result in turn created another result. It assured American consumers of adequate food supplies at reasonable prices. There can be little doubt that this result has been, and is, progressive rather than regressive in terms of achieving a more equal distribution of income. The progressive features of explicit agricultural policies of recent decades, applying as they do to 100 percent of our population, may more than offset in net effects on income distribution the regressive features internal to farm income distribution affecting 5 to 6 percent of the population.

Productive Capacity

Do we still need government programs to insure the income redistribution effects of low food prices? See if the following figures and ideas add any meaning. In 1967, of the 308 million acres of crops that were harvested, 71 million acres were used to produce exports. On top of these 71 million acres (which have fallen as low as 31 million acres in the period since 1950) we had about 30 to 35 million acres of land diverted by government and our rate of progress in yields over recent years has added the equivalent of 5 million acres per year to our productive capacity, not to mention the potentials we have for increasing our land resource base through water resource development.

It appears that U.S. consumers have no worries about food supplies, or the at-farm real costs of those supplies, for quite a few years if agriculture is technically progressive. However, we know that for industries to be progressive in their adoption of technical advances, they must earn the revenues with which to install the new technologies, or appear to be able to earn for repaying creditors. In the face of an excess capacity and an inelastic consumer demand, an industry must control its total output to maintain profits. An atomistically structured industry is usually considered to require the assistance of the government to achieve such control.

Corporate Control

Some people believe that agriculture itself will be able to regulate its output decisions, eliminating the need for government control of output. Bargaining power is widely discussed as a possible alternative to continuation of government controls.

Corporate management is expected by these writers to increase and to be more politically astute than many of our farm managers of the past. Thus, they should be able to bargain among themselves concerning the production rights and rewards of feeding and clothing our population.

Without passing judgment on the relative levels of political astuteness of different types of managers, let us examine the trends which may help to determine the ownership form of the future. First, farm family incomes are below those of nonfarm families. Excess capacity in agriculture argues that the incomes of farm families will remain relatively low for some time, particularly so if the output controls, now exercised by government, are reduced. Several researchers also foresee an increase in the relative costs of social and commercial services for rural America. A 94 percent increase in agriculture's needs for capital between 1964 and 1980 has been projected. This increase apparently will have to be borne by 30 to 50 percent fewer operators. There is thus some basis for believing that present farm operators will be unable to divert enough of their cash flows into new technology and land purchases to finance this growth. While land value increases since the 1930's probably have financed much of our present scale of use of land and technology, land value increases of the next two decades or so may not be adequate. Outside venture capital may become necessary to install new technology.

A more basic reason why present farm operators may not be able to provide the capital to install new technology is that a significant proportion of today's operators are at or near retirement age. They will disinvest. But present land values and known economies of scale in land operation are already of such magnitude that new entrants may find themselves heavily encumbered with debt for less than economic sized units, unless these new entrants undertake management as nonresident owners. The corporation is the best understood and most widely used form of nonowner management of capital, and also has the advantage of making intergeneration transfer of both ownership rights and management roles easier. Corporation farming may well be expected to grow in importance, but we are as yet unable to specify how rapidly or how far it may expand.

A factor which may tend to retard the progress of corporate farming is the prospect of relatively low returns. Another one is the relatively limited space over which management can be effectively exercised. Electronic surveillance and other such developments may expand the economic spatial unit of management in farming, but still the capital required for an economic management unit seems likely to remain considerably below that of many urban economic activities. There may be sufficient families with the net worths required to finance economic management units in farming.

Let us return now for a moment to the question of political astuteness of different types of managers. Price is the distributor of rewards in either proprietary or corporate forms of ownership. Agriculture has excess capacity at present. Longer-run substitution elasticities of demand apparently are high. Foreign competition for domestic outlets is imminent for some products. Analog and synthetic feasibilities of sizable proportions are now in prospect.

If only land is taken into account, geographic shifts in crop production have been pervasive and unceasing. According to one estimate, more than 50 million acres of cropland were involved in supply adjustments within and among regions between 1949 and 1954. Animal products production has perhaps been even more geographically mobile. It has been estimated that actions which prevent such shifts may add as much as 10 to 25 percent to production costs. Society may be unhappy to give massive bargaining power to managers of any type in agriculture if this power is then used to add these costs to its food and fiber bill rather than using it to achieve technological progress.

The public's vital interest in adequate food supplies at reasonable prices certainly seems to us to imply continuing critical surveillance by the public of the resource allocation and pricing processes in agriculture whether they are conducted in the public or private arenas.

Vertical, or Conglomerate, Corporate Control

Another structural trend argument cited by some against continuation of government control of output decisions in agriculture is that vertical integration is growing and that this trend eliminates the necessity of profits from any one stage within the integrated firm for advances in technology to be applied to that stage.

From our vantage point in marketing economics, we do not see any reason for concluding that vertical integration is growing. Farm families have relinquished many processing and marketing activities to nonfarm firms over the past fifty years. This, of course, could be expected to occur as the bulk of our population became more concentrated in location, thereby reducing the ability of farm families to huckster their products directly to consumers or to small retail stores serving consumers in nearby villages, towns, and small cities.

The extent of this economic separation of farm families from their ultimate customers is measured in a gross manner by the series we maintain on the farmer's share of the consumer's food dollar. This share has declined almost steadily from 51 percent in 1947 to 38 percent in 1967. The figures we presented earlier on the absolute decline in use of farm family provided inputs and the very rapid growth in use of nonfarm produced inputs tells the same story about what goes on behind the farm gate, the point from which we marketing economists have traditionally taken over in viewing the functioning of our food and fiber system.

If vertical integration has occurred in our food and fiber system, then this trend is counter to that noted for the general economy not only of the United States but of most Western nations. Many economists, from Adam Smith to contemporary writers, have concluded that the progress of industrialization has so far been marked by further specialization and by further separation of ownership rights and management roles.

"Creative Destruction" Revisited

There is no question but that some stages of production, processing, and marketing have been combined into new ownership and management forms in the past. Joseph Schumpeter described such processes of "creative destruction" twenty-five years ago in his *Capitalism, Socialism, and Democracy.*

There are some facts which support the view that conglomerate vertical ownership (and nonprice vertical coordination) of agriculture may prove to be an arrangement which competition will not long tolerate for the bulk of our food and fiber needs. First is the fact that the progress of industrialization has so far been marked by further specialization and by further separation of ownership rights and management roles. While there may be some economies of a vertical nature in specialization of management roles, we suspect there are more economies in specialization of a horizontal nature. Total capital constraints and diseconomies of scale may prevent extensive exercise of both of these options simultaneously. This is particularly true of present farmers. Yet, unencumbered land values at present provide a considerable restraint against undisciplined entry of outside entrepreneurs into agriculture who have only the economies in vertical management to achieve. The role of price in coordinating vertical flows may not be declining, as some suggest. It may only be changing, as others suggest.

Second, feeding activities are the principal on-farm activities for which the management role has been taken over by nonfarm firms thus far (except for some new forms, in effect, of land leaving through contracting), insofar as we have access to relevant knowledge. These are not land-based activities, and adequate land collateral with which to obtain simple trade credit is not required. The entire equity of the grower is often less than the investment in the single lot of broilers which takes only 8 to 11 weeks to reach market weights. Sequences of input-output flows can be ordered through the scheduling of birds placed with different growers to achieve continuous flows. This is not the case for corn, cotton, wheat, and most other crops where the growing process is seasonal and requires large acreages. Sequential processes are much more discrete and are subject to considerable risks in an uncontrolled market. We have no good measures of the number of firms affiliated in a vertical pattern. Is the broiler industry more or less integrated now than was the poultry meat industry of thirty years ago? No one knows.

Third, preservation of foods is becoming less costly in terms of energy requirements, and future reductions may well bring costs of preserved foods, as a safeguard against variation in "uncoordinated" production, below the costs of coordinating production. Also, food analogs now being produced may increase their share of the food market. Analogs are made from basic fungible agricultural ingredients; quality is determined in the factory, not by what leaves the farm. Costs of quality control in analog production may be considerably below costs of quality control by means of "coordinated production and marketing." Also, rapid increases in the relative price of labor for the selective harvesting of top quality fruits and vegetables are encouraging more dependence upon mechanical harvesting which may result in less than top quality for much of the harvest. Such products go into canned and frozen products. Consumer acceptance of such complex processed products may be influenced by variables other than the innate quality of the harvested product. In this respect, "quality" can be fabricated instead of having to be grown. And perhaps most important, the technical competence and management ability of farmers are improving. We see no reason to think that farm managers of the future will ignore consistent price incentives for delivery of desired qualities at the right times and places. Thus, one of the claimed reasons for "more coordination" has the potential of being subverted by other trends.

From these facts, we cannot be sure that agriculture will become just a stage of production in an industrialized, vertically integrated food and fiber system. Agriculture may continue as a separate industry in large measure, buying inputs from unaffiliated firms, selling ouputs to unaffiliated firms. Technological progress may have to be financed from profits generated in agriculture, or not be installed. The years between 1969 and 2000 may be critical ones in this respect, but facts presently available to us permit no final conclusion.

Policies—To What End?

Our conclusion, then, is that the structure of agriculture in 1980 or 2000 or any other future period cannot be forecast with precision. If we knew with certainty what structure our citizens would like to see emerge, then policy variables can be manipulated to yield such a structure. In the absence of such knowledge, we must be tolerant of diverse views, but we cannot be tolerant of proposed actions which put our future food supply in jeopardy. Society's actions over our whole history establish clearly its concern with adequate food supplies at reasonable prices.

COMMERCIAL AGRICULTURE'S DUAL SITUATION

There has been a spate of self-recrimination among professionals serving the public's interest in agriculture over the present dual situation in agriculture. We find it hard to understand this phenomenon.

It seems clear to us that we agricultural economists are not yet able to specify ideal policies for achievement of all the goals our society might have set for itself. These goals may conflict. We can shift from one broad set of policy variables affecting the prices of products and factors to another broad set affecting income transfers. But different goals require differing mixes. Goals of efficiency may respond to price variables; income redistributions are a side product. If we shift to direct income transfers, income distributions may respond, but what are the side effects on efficiency?

Perhaps complete equality of income distribution, or even abolition of poverty in our economy, is an impossible goal. Some policy makers appear poised nonetheless to attempt the achievement of the latter goal. It behooves agricultural economists and other social scientists serving agriculture to be sure that impoverished people in rural areas are not exempted for lack of information from equal consideration when those policies are being devised. We should get our research under way now, not after the policies have been put into effect. The efforts of the President's National Advisory Commission on Rural Poverty were heroic; we should not permit those efforts to be wasted by not building on them. People do count, though for positive economic analysis they may have to be treated as simple factors of production. People are the only factors of production that respond to the set of incentives facing them.

Other publicly employed professionals serving agriculture, including agricultural engineers, chemists, and biologists employed by the USDA and the land-grant colleges, have made significant contributions to agriculture. But, the really large impacts that have led to our present dualistic structure appear to be those of early land settlement policies; later, but still in the days before the USDA and the land-grant colleges really had anything to say about policy, industrialization which led to very rapid capital formation; and finally, our labor policies of the early 1900's which may have created significant barriers to off-farm employment opportunities for farm people.

We do not want to leave the impression that we think structural change has sharpened the distinction between two classes of American farmers. There were always two or more classes rather sharply defined at the extremes. Nonetheless, a large number of farms in existence now, perhaps as many as 2.5 million, are not likely to be in existence thirty or so years from now. This number of farm firms yet to exit from agriculture is not as large as the 3.6 million that have exited over the past thirty years. Both farm people and rural nonfarm people serving farm families have a relatively much larger urban base into which to be merged than did the estimated 33 million who left farms between 1920 and 1962. Hopefully, our research and educational activities, and our policies, can be directed in such a manner that the smaller number yet to leave can do so at less sacrifice and suffering than was true for many in the past.

COLLECTIVE BARGAINING FOR FARMERS

James D. Shaffer
Professor of Agricultural Economics
Michigan State University

The economic organization of American agriculture is in the process of radical transition. The science-based industrialization of the economy is creating a need, and a demand, for revised rules of the game for coordinating economic activity and distributing rewards. Among the changes in rules regulating the economic organization of agriculture which are up for serious consideration are those which would facilitate collective bargaining by farmers. The purpose of this paper is to enter into the discussion of the implications of changes in the rules for collective bargaining by farmers, especially as related to possible effects on the structure of agriculture, distribution of income, economic efficiency, and market performance.

SOME LEGAL BACKGROUND TO COLLECTIVE BARGAINING

In principle it is the stated policy of the U.S. Government to foster competition and restrict concentration of economic power. The Sherman Act of 1890 established formal rules for competition by making conspiracies to restrain competition illegal and by imposing restrictions on attempts by firms to monopolize markets. The Clayton Act of 1914 added prohibitions relating to price discrimination, tying clauses and exclusive dealing arrangements, certain types of mergers and interlocking directories, which might lessen competition or tend toward monopoly. In the same year the Federal Trade Commission Act was adopted, primarily to provide assistance in enforcement of the Clayton and Sherman Acts, but it also attempted to regulate a number of practices considered inconsistent with fair competition. The Robinson-Patman Act of 1936 further specified unlawful conduct where the effect may be to lessen competition or to tend to create monopoly. And the Celler-Kefauver amendment in 1950 attempted to curb mergers by making the acquisition of assets of competitors subject to antitrust action. The rules of the game, of course, consist of much more than statutes. The "de facto" rules depend upon enforcement by administrative agencies and interpretation by the courts.

In the late 1800's and early 1900's the courts applied the principles of the Sherman Act to labor as well as to business. Unions were not specifically prohibited, but action by unions to restrain trade usually resulted in a court injunction bringing the force of the community against the union. Strikes and boycotts were considered to restrain trade. An apparent attempt to exempt labor and farmers from the provisions of the Sherman Act was included in the Clayton Act. It declared that:

> Nothing contained in the antitrust laws shall be construed to forbid the existence and operation of labor, agricultural, or horticultural organization, instituted for the purpose of mutual help . . . or to forbid or restrain members of such organizations from lawfully carrying out legitimate objectives thereof; nor shall such organization . . . be held or construed to be illegal combinations or conspiracies in restraint of trade, under the antitrust laws.

However, court interpretation, while mixed, tended to support the position that the Clayton Act did not exempt labor organizations from accountability when they engaged in actual combination or restraint of trade.

The Norris-LaGuardia (Anti-Injunction) Act of 1932 expanded the rights of labor to engage in united efforts by limiting the injunctive power of the courts. This left the government about neutral in collective bargaining disputes between unions and management. Unions could organize and exert direct pressure on management, and management could engage in a variety of tactics to discourage union membership. By 1935 the Congress decided orderly procedures for collective bargaining should be established, and passed the Wagner (National Labor Relations) Act. This act set up the National Labor Relations Board, outlined procedures for recognition, and established a set of ground rules for collective bargaining. The encouragement of collective bargaining became public policy. The Wagner Act was significantly modified by the Taft-Hartley (Labor-Management Relations) Act which stands as the basic framework of rules for collective bargaining between labor and management.

Farmers are treated uniquely under our rules of competition. They are not treated as other employers in that agricultural laborers are not covered by the Labor-Management Relations Act.

The Capper-Volstead Act of 1922 and the Cooperative Marketing Act of 1926 exempt farmers from most provisions of the antitrust laws and encourage agricultural cooperatives. The extent to which cooperatives are immune from antitrust is unclear. The courts have held some actions of cooperatives as antitrust violations. The law seems to be that farmers may unite in a cooperative, but once formed, the cooperative as an entity is subject to the same rules of competition as other firms. And Section 2 of Capper-Volstead empowers the Secretary of Agriculture to order a cooperative to cease and desist if it is successful in unduly enhancing prices of its products. The Capper-Volstead Act permits formation of cooperatives for bargaining but provides no mechanism for their recognition, nor does it establish rules for fair bargaining.

The Agricultural Marketing Agreement Act of 1937 provided for marketing agreements and orders for a limited number of farm commodities, primarily fruits and vegetables sold for fresh use and milk. The orders provide another mechanism for collective action by eligible farmers under the supervision of the Secretary of Agriculture. Limited supply management and price discrimination are possible under this law. However, the lack of control of entry or control of farmer production has limited the capacity to achieve monopoly returns under the orders.

A host of federal price and production control programs also modify competition in farming.

ORGANIZATIONAL COSTS AND PROBLEMS

Before discussing some of the potential gains and consequences of collective bargaining, let me simply mention that organizational costs and problems exist. Collective bargaining cannot be done without cost. Recruitment is expensive. And recruitment of a sufficient number of farmers to effectively manage supplies and thereby gain a monopoly price for many commodities is probably impossible without additional facilitating legislation.

A particular difficulty is the free rider problem. If a bargaining association is successful in achieving a price increase and does not control the full supply or access to the market, then nonmembers, who have not shared in the associated costs, benefit more than members. This situation makes recruiting new members more difficult and expensive and tends to erode existing membership.

For the farmer, another cost is the freedom of choice he gives up by joining an association and delegating some of his management decisions.

I raise the issue of organizational costs and problems because they cannot be ignored. A consideration of organizational problems emphasizes that the policy issue must be in terms of the rules facilitating and regulating collective bargaining. Let us look at a specific proposal.

THE NATIONAL AGRICULTURAL BARGAINING BILL

I would like to concentrate on Title I of S. 2973 introduced by Senator Mondale, to be known as the National Agricultural Bargaining Act, if passed.

The Mondale bill has three titles. Title III makes illegal a set of practices which might be used by handlers to discourage collective bargaining activity by farmers. It is very similar to the original S. 109 recently passed in a revised form. Title II greatly expands the potential for marketing orders. All farm produced commodities would be eligible for a marketing order. The marketing order committees would have expanded powers for supply management and collective bargaining. A provision is included which seems to say that handlers of 50 percent of the volume of a commodity must agree to the order to make it effective or that the Secretary of Agriculture plays a major role in the supply management. Senator Mondale sees this as an alternative to Title I of the bill.

Title I points out that farmers do not have the opportunity to organize and bargain effectively for a just and reasonable return and are in this respect disadvantaged compared with industrial workers and those in many other enterprises and employment. It includes the following provisions for overcoming this disadvantage:

A National Agricultural Relations Board is established to provide the administrative and technical support needed for identifying bargaining committees and facilitating effective bargaining. The framework is provided for growers of a particular commodity or commodities to elect a marketing committee or to accept or reject establishing a marketing committee. Election is by a majority vote of farmers, and only farmers are eligible for committee membership. If producers elect to have a marketing committee, a committee to represent prospective purchasers is to be established. The bill specifies that the marketing committee and the purchasers committee shall bargain in good faith to negotiate minimum prices and nonprice terms of sale. The Board is to offer information and also conciliation and mediation services to the bargaining committees, if needed.

If agreement cannot be reached between the two bargaining committees, or if the purchasers refuse to negotiate the issues, the issues are subject to binding arbitration. The decisions from arbitration are subject to judicial review in federal district court.

The marketing committees are to recommend to the Board the injunctive or other related actions to be instituted to prevent buying and selling at terms other than established by negotiation and to establish penalties for violation by producers, after approval by a majority vote of the producers.

Activities under this act are specifically exempted from any antitrust law of the United States.

If total supplies of a commodity substantially exceed effective demand at prices established under the procedures of the bill, the marketing committee is to develop a plan of marketing allotments, with or without acreage or production limitations, to be submitted to producers for approval or rejection. If accepted, the Secretary of Agriculture is to put the plan into effect, including the establishment and enforcement of necessary and reasonable regulations.

STRUCTURE AND ROLE OF MARKET

American public policy concerning competition has been ambivalent. It has been public policy to maintain a fair competitive game, as expressed in the antitrust laws. However, the rules of fair competition were never intended, as far as I can tell, to create a purely competitive market. Policy has, in fact, fostered major deviations from pure competition.

Kenneth Galbraith, in *The New Industrial State,* paints a broad brush description of that part of the American economy dominated by the large corporation. He argues that modern technology requires large-scale organization and that large bureaucratic organizations have advantages in planning and financing and in research and development. The large corporation has a need and capacity to protect itself from the risks and uncertainties of a purely competitive market. It does this through contractual and bargained arrangements with suppliers, manipulation of demand, and with help from the government.

It is not only the existence of large corporations which sets the American economy apart from the structure of atomistic competition. Labor is highly organized and negotiates wage rates. Many public employees are organized and negotiate salaries. Lawyers and medical doctors have established fee schedules. Barbers and gasoline dealers have associations and seem to have agreed upon price schedules. The independent grocers belong to what amount to buying cooperatives. Almost everyone in the economy is in some way associated with others in an effort to modify the outcome of the market. This led Harold Breimyer, in his presidential address to the American Agricultural Economics Association in August 1968, to call the United States an associationistic economy.

In Title I of the Mondale bill, negotiation and *arbitration* supersede the market as a mechanism for establishing price and other terms of exchange between farmers and first purchasers. The structure of the market for a particular transaction is a buying and a selling cartel. The committees or cartels must consider the diverse interest of their members in the negotiation process. In this respect the structure differs from bilateral monopoly. The range in terms of trade would be set by negotiation with the exact terms within the range set by the independent arbitrator. The exact outcome is theoretically indeterminate.

It is impossible to generalize about the effect of collective bargaining on the structure of agriculture, aside from the exchange relationship. Some type of supply management will be required to obtain substantial price advantages for farmers. If elasticities of demand are significantly different between alternative markets, price discrimination could be used profitably without marketing quotas, at least in the short run. This would have some effect on the structure of processing and distribution, especially if rules had to be imposed to keep the product from moving from the high-price to the low-price market. Whenever supply controls are used to gain bargaining advantages, then the rules allocating access to the market have a critical effect on farm size and ownership patterns. For example, in Title I the quota program must be approved by a majority vote of all producers. For some commodities small producers would probably control the program and limit the quota going to any one producer, thus protecting the small farm. However, if the quota could be sold, larger farms would be stimulated. And, unless prohibited, higher prices would stimulate vertical integration. Thus we can only conclude that collective bargaining will influence the structure and control of farming but that the effect will depend upon the rules regulating the process. Thus the procedural rules become a major issue of public policy.

SOURCES OF BARGAINING GAINS

There are four classes of potential price gains for farmers from effective collective bargaining.

1. Farmers can bargain for part of any excess profits of the processing and distribution firms. However, the prospects are not great. The studies of the National Commission on Food Marketing found little evidence of excess profits. Most food processors and distributors seem to be operating at a rate of return somewhat below the rate earned by all manufacturing firms. At a North Central regional marketing seminar held in April 1968, John Moore estimated that bargaining which would have left food processors a 10 percent

return on investment in 1964 (all manufacturers received 14 percent in 1966) would have resulted in the following changes in prices received by farmers:

	Percent
Processed fruits and vegetables	–2.1
Broilers	–0.2
Beef	–0.1
Eggs	0.6
Cheese	1.2
Fluid milk	1.2
Wheat for bread	3.6

Only in the case of a very few selected commodities would the gains extracted from excess profits be expected to exceed the cost of collective bargaining.

2. Farmers could attempt to bargain to capture potential savings from lower cost operation in processing and distribution. The absence of excess profits is not conclusive evidence that prices paid to farmers could not be increased without higher retail prices. The buying firms may have organization slack. For example, they may have more employees than necessary or be paying higher wages or salaries than necessary. The industry may be engaged in practices which are competitively wasteful. For example, they may have duplicate assembly and delivery routes or may be engaged in promotional activities which "cancel out" for the industry as a whole. And firms may be operating considerably below optimum scale. We have many studies indicating that costs could be reduced in processing a number of farm products by operating fewer and larger plants properly located. It is conceivable that collective bargaining could force some consolidation and could provide discipline to an industry which cannot itself eliminate competitively wasteful practices.

No accurate estimate of the magnitude of potential savings from these sources is available. My own estimate is that they amount to much more than excess profits.

3. The bargaining association may be able to offer savings or other advantages to the buying firms. As the food sector becomes more industrialized, the value of improved coordinating services increases. The modern corporation desires to reduce risk and uncertainty. It often invests large sums in promotion. Plants operate with high fixed costs. As a result supplies meeting quality and timing specifications are valuable to the buying firm.

A bargaining relationship may also improve coordination by implementing, what are in effect, forward price contracts. The contracts could be in terms of schedules of prices related to quantities marketed from fixed contracted acreages. Since farming continues to suffer from errors in price expectations, a mechanism for forward pricing offers some important potential gains to all participants.

Bargaining associations may be able to offer these and other services. Labor unions offer the service of disciplining members and handling grievances. Bargaining associations may be able to do the same. In addition, the association may improve coordination of the system by improving information, production decisions, and distribution of products among buyers. These kinds of benefits are emphasized by the Farm Bureau's American Marketing Association.

4. The largest potential source of gain from bargaining is higher prices passed on to consumers. Substantial gains from bargaining depend upon the capacity of the bargaining opponent to pass on the higher costs and the capacity of the bargaining association to manage supplies. Monopoly profits can be created by restricting and allocating supplies. The extent of the monopoly price gains will depend upon the demand function. If close substitutes are available or can be developed, this limits the potential monopoly profits.

Where the buyers can pass on the costs of higher bargained prices, their level of pain is substantially less and their resolve in bargaining is affected. If the bargaining committee can assure all buyers that no competitor will receive a lower price, the resistance to bargaining is greatly reduced. Collective bargaining may, in fact, be used to increase farm prices and processors' profits at the same time, increasing the total return by limiting supplies of commodities with inelastic demand. In this case the theoretical protection of countervailing power of buyer and seller bargaining breaks down. In fact, the bargaining committee and the buyers group may collude to exploit the consumer. Under the present competitive structure, food processors are generally unable to extract monopoly profits. The bargaining committee may provide the mechanism for achieving monopoly gains. Title I of the Mondale bill certainly sets up this possibility.

DISTRIBUTION OF INCOME

I have argued that collective bargaining, given the rules necessary to manage supplies, has the potential to significantly increase prices paid to farmers. But this tells us little of the effect collective bargaining may have on the level and distribution of income to farmers.

In the first place, the price gains from bargaining will vary considerably from commodity to commodity due to differences in industry structure, supply and demand conditions, and attitudes of potential participants.

We have little evidence of the effect of unionization on total wages. Since gains depend largely on the ability to restrict entry, union members would be expected to gain at the expense of some nonmembers denied entry to jobs. In industries such as clothing, where entry has been difficult to control, unionization seems to have had little effect on relative wages. In coal mining, on the other hand, wages of employed miners have been enhanced by unionization, but restricted entry has cost unemployed miners dearly.

Higher wages won by bargaining translates directly to higher income for the union wage earner. The relationship is not so direct in the case of higher prices. For example, if the bargaining committee negotiates higher prices through a price discrimination plan, without restrictions on total supplies, the price in the more inelastic market can be maintained at a high level. But supplies will be attracted by a higher blend price, lowering the price in the more elastic market and eroding the monopoly profits. Nevertheless, considerable income advantage may be gained in the process.

Where the total quantities marketed are restricted, the effect on income distribution will depend on the rules regulating access to the market. For example, if free entry is allowed, but total marketings are restricted, the size of the average quota will be reduced and the small farmer will probably benefit relatively more than the large farmer. In fact, a very large, low cost producer, with few alternatives, could suffer a net loss from "successful" bargaining with such rules.

If quotas are set on the basis of historical experience and can be sold, the anticipated monoply profits will be capitalized into the value of the quota and the benefits will go to those with large commercial sales. If the quotas are not marketable, the anticipated return will tend to be capitalized into the restricted factors of production. The factor most likely to appreciate in value is land, and the factor least likely to appreciate is labor.

To those of you used to working with price-support policy, this must sound very familiar.

As with the price-support program, monopoly profits from collective bargaining will not solve the low-income problem in agriculture. Those who own little or produce little will receive little benefit. Benefits will probably go to the greedy, not the needy.

EFFICIENCY OF RESOURCE ALLOCATION

Does collective bargaining by farmers reduce the efficiency of resource allocation? A few years ago many economists would have argued that since collective bargaining is a deviation from the structural conditions of the perfectly competitive model, it would contribute to less efficient use of resources. The competitive model was accepted as a norm, and it was assumed that a change in policy which would create a structure more like the model would tend to improve use of resources. However, this is an unacceptable position for several reasons. Let me mention only one of them—the Lipsey-Lancaster theorem of second best. The theorem states that in a concrete situation characterized by any deviation from the conditions of perfect optimality, partial policy measures which eliminate only some of the departures from the optimal arrangement may well result in a net decrease in social welfare.

Given the structure of the rest of the economy, which is characterized by large-scale firms and associationism, there is no theoretical basis for arguing that prohibiting collective bargaining by farmers would necessarily result in a better allocation of the resources of the economy.

PERFORMANCE

In my opinion discussions of public policy dealing with economic organization should be centered on the relationship between alternative sets of rules and performance. By performance I mean the total flow of consequences from economic activity which affect the well-being of the participants. Performance clearly has many dimensions. And judgments have to be made on a variety of desirable and undesirable outcomes associated with any organization of economic activity. The concept of a simple optimum or ideal state has little relevance.

At the same time it is clearly beyond our capacity to predict the full flow of consequences from alternative ways of instituting the economy. We must select and concentrate on a few measures of performance which appear to be particularly relevant. Without attempting to be comprehensive, let me comment on the possible relationship of collective bargaining to some of the values and goals of our society. In the case of each goal the appropriate question is: Given the goal, is there a better way of achieving it?

I believe our society puts a high value on a fair game. Given the present structure of the economy, rules which would give farmers some additional capacity to organize for collective bargaining would, in my opinion, make it a somewhat fairer competitive game. However, the fairness of the game will depend upon the specific rules and practices in bargaining.

Related to a fair game is the issue of concentration of economic power. Clearly it is necessary to concentrate the control of economic capacity to achieve economies of scale in production and distribution. But, since political power and economic power are related, judgment on desirable levels of concentration must be based on more than production costs. Rules for collective bargaining can result in undesirable levels of concentration of power. A private organization controlling the supply of food would have too much power. If industrialization continues in egg production and fifteen firms come to control 90 percent of egg production, a set of rules allowing these firms to create a cartel would probably be too much concentration of power. On the other hand, collective bargaining limited to a single commodity would be subject to discipline from the threat of substitute products, including new food analogs, imports, and vertical integration. The rules, however, must be structured to insure that such discipline is not removed.

Our society values innovation and progress. However, the source of many of the problems in agriculture is an inability to adjust to rapid technological change. Collective bargaining could be used to restrict innovation as the labor unions have in some industries. And collective bargaining, if used to protect high cost producers and limit the entrance of new producers, would inhibit progress. On the other hand, the bargaining rules and organization could be used to foster a progressive system. No firm conclusion can be reached.

Our society desires low levels of unemployment. Again depending on the rules and practice, collective bargaining could either limit or expand employment opportunities in farming.

As I talk to farmers many indicate that they want more from collective bargaining than better incomes. They want to feel they have some say in their own destiny. They want protection from what they consider impersonal and arbitrary conditions over which they have no control. They want to participate. Collective bargaining associations may meet this need, and the need seems to be an important one in our associationistic society. If farm income support programs are desired, there is much to be said for a program like Title I which puts basic decisions in the hands of participants and extracts it from the vagaries of the political process in the Congress, provided, of course, that sufficient safeguards for the public interest are built into the act.

Our society desires an abundant supply of high quality wholesome food at a low cost. Again, depending upon the specific rules and practices, collective bargaining can facilitate or obstruct attainment of this goal.

A major function of the economic system is, of course, to coordinate economic activity. By coordination I mean the system of information and control which directs resources to uses most consistent with the preferences of consumers. In our industrialized society we have major problems in vertical coordination because of the complex operations in production and distribution. Price instability and price cycles are symptoms of coordination problems. Collective bargaining can be used to improve vertical coordination. The question is whether it is the best means for this purpose. A private forward pricing system based upon deliverable future contracts might be developed to do the job more effectively than through bargaining associations. At any rate there is no evidence that a return to atomistic competition would provide better coordination than a system of collective bargaining. And collective bargaining could be instituted to provide better coordination than is possible with the administrative pricing system of the present farm price-support program.

In summary, collective bargaining can be instituted to give farmers additional control over the structure of farming. And it can be instituted to stimulate increased size or to limit size in farming.

From a strict point of view of welfare theory, given the characteristics of our economy, it cannot be said whether increased collective bargaining would improve the allocation of resources or not.

Collective bargaining can create wealth for farmers from four sources: (1) capturing excess profits of processing and distribution firms, (2) forcing elimination of waste in parts of the system, (3) contributing marketing services, and (4) extracting monopoly profits indirectly from consumers. Only the last source offers much hope of great riches. The wealth resulting from collective bargaining as well as the distribution of such wealth will depend upon the institution of the rules of collective bargaining. The distribution of wealth will likely be very uneven. It will not offer a long-run solution to the low-income problem in agriculture. And if the policy goal is a transfer of income to poor people in agriculture, there are more effective means of achieving that particular goal. A highly graduated negative income tax is an example.

CONCLUSION

If this discussion has created the impression that:

The rules and practices of collective bargaining govern the outcome and no easy generalizations can be made;

The potential consequences of collective bargaining are extensive and difficult to predict;

Collective bargaining offers neither salvation nor damnation for farmers;

Collective bargaining may not result in a less desirable allocation of resources;

Farmers can use collective bargaining to increase their wealth;

Collective bargaining is not the solution to the low-income problem in farming;

Collective bargaining has advantages over both existing programs and atomistic competition—if properly instituted;

Other policies may be more effective in achieving some of the goals sought by farmers through collective bargaining;

Collective bargaining has some real potential danger in facilitating the concentration of power, but if properly instituted, effective discipline can be imposed by competitive processes;

The policy issues are important in that nothing less than the organization and control of the economy is at stake;

Then you got the message.

TOWARD A MORE MARKET-ORIENTED AGRICULTURE

Roger W. Gray, Professor and Economist
Food Research Institute
Stanford University

Upon acceptance of the invitation to speak on this subject, I reread one of Galbraith's famous caricatures, "Economic Preconceptions and the Farm Policy," together with his 1956 review of Benedict's book.[1] At that time he referred to our professional role as one of "neglected scolds" and called agricultural economists "a nullity as far as agricultural policy is concerned." Our profession has somehow survived Galbraith's caricature, even if we have not quite lived it down.

The consistency with which Galbraith has exorcised the competitive model, together with the persistence of farm programs not unlike those under siege a dozen years ago, suggests that his gooseberry be reconsidered if only for its purgative powers. Galbraith cited the "remarkable divergence between the weight of scholarly recommendation and the course of political action" in farm policy, and was able to adduce from the Farm Foundation's famous study of 1952, *Turning the Searchlight on Farm Policy,* and other landmarks considerable evidence of this divergence. Subsequent studies have underlined this divergence. The question then is not whether agricultural economists have been continuously critical of the programs —they have been—but whether this has been due to their "predilections for a cause," as Galbraith asserted.

The question merits serious consideration. Agricultural economists have been reciting essentially the same obloquy of farm programs as were then being offered, and the Food and Fiber Commission report is reminiscent of the case then against the policy of the day. Have we acquired new and better evidence favoring a market orientation? Have the programs altered significantly in that direction? Has the the situation itself changed sufficiently to warrant different policies, or to strengthen or weaken the case for market orientation? We shall not, I fear, find hard and fast answers to such questions; but perhaps we may find some clues in a brief review of the 1954 statement (and criticism) of the case against the policies.

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[1] J. K. Galbraith, "Economic Preconceptions and the Farm Policy," *American Economic Review,* Vol. XLV, No. 1, March 1954; Review of Murray R. Benedict, *Can We Solve the Farm Problem?* in *Journal of Farm Economics,* Vol. XXXVII, No. 3, August 1956.

ALLOCATIVE EFFICIENCY

The first stricture pertains to allocative efficiency, within agriculture and between agriculture and the rest of the economy. Galbraith rightly stressed the seeming perversity of labor's response to relative rewards in agricultural and nonagricultural pursuits. This has more recently been cited by Tweeten[2] as a reason for widespread demurral from program dismantling, although he seemed surprised to encounter some evidence that migration from the farm had been as great or greater under the existing programs as under simulated free markets.[3] One line of evidence which has been successfully pursued since 1954 deals with the *distribution* of program benefits. With the increasing tendency toward and recognition of the existence of two agricultures (commercial and noncommercial) have come two major modifications in the argument then presented. First, the labor supply response seems not as perverse when the heavy migration of nonbeneficiaries of programs is recognized; and second, much emphasis is being placed upon the perverse welfare effects, within agriculture, of the programs themselves—a criticism which was not prominent enough at the time to receive mention.

But the major amendment which now has to be made to Galbraith's rebuttal of the allocative criticism stems from our accumulated experience with the commodity programs. Whereas he relied upon his observation of a "broad tendency for support prices to be effective (only) during times of low aggregate demand or depression," we now know that prices have rested upon supports during periods of high prosperity, and we cannot be content (if ever we could) with his summary dismissal of Schultz's argument regarding allocative efficiency.

LONG-RUN EFFECTS

The orthodox viewpoint was also sharply criticized for its failure to take into account price expectations in production response, citing such evidence as we at Minnesota had developed for potatoes and that developed at Kentucky for tobacco. Clearly the firmness of price expectations has prompted some desirable shifts in resource use, both functionally and geographically. The flow of capital into agriculture and the attendant spectacular increases in productivity have undoubtedly been stimulated in some degree by considerations similar to those which hastened the relocation and restructuring of potato production.

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[2] Luther G. Tweeten, "Commodity Programs for Agriculture," in *Agricultural Policy: A Review of Programs and Needs,* National Advisory Commission on Food and Fiber, Technical Papers, Vol. V, August 1967.

[3] F. H. Tyner and Luther G. Tweeten, "Simulation as a Method of Appraising Farm Programs," *American Journal of Agricultural Economics,* Vol. 50, No. 1, February 1968.

In the circumstances, however, this has been a very mixed blessing. It might suffice, if merely meeting the defense were involved, to cite subsequent developments in potatoes and tobacco—the only two studies cited by Galbraith. The tobacco program, which has been continued, has become a textbook example of institutionalized unearned increment. Instead of taxing it away, as Henry George advocated, the reverse is accomplished by the program in artificially enhancing the site value of lands endowed with tobacco allotments. The potato program, in contrast, was abandoned for lack of votes, and the industry has developed several of its own stabilizing devices.

Land for crop production generally is not a scarce resource, yet it has been enhanced in value and reduced in availability by commodity programs. A corollary has been that too much of the scarce resources, capital and labor, has been attracted to or trapped in crop production. The so-called long-run benefits of short-run monopolization might well have materialized had the monopolization been short run, but we have tended to let go of only the bears' tails that could not be held politically, which means that we still have hold of most of them. Paradoxically, the validity of the 1954 defense of the policies was largely contingent upon their curtailment—had they been phased out then we might have been able to conclude that they had induced salutary production response by reducing uncertainty. Unfortunately, in today's perspective such results appear serendipitous.

TRADE POLICY

The remaining major grounds for criticism of the policies—their inconsistency with a liberal trade program—met the feeblest retort, and it is this area in which events have treated Galbraith most harshly. He ignored such commodities as wool, dairy products, and sugar, while vindicating the commodity programs for feed grains and wheat on the grounds that they did not significantly restrict *imports* of feed grains and wheat. That they would significantly restrict *exports* of these items, which has since become apparent, seemingly did not occur to him. And he was silent regarding the umbrella effects of our two major price-support operations, for cotton and wheat. Galbraith ignored the cost to American consumers of import restrictions against the commodities that we produce inefficiently, and missed the point completely regarding the commodities that we produce efficiently.

When we ratified the International Grains Agreement recently, we again chose artificial markets at home in preference to real markets abroad. The basic incompatibility between our trade and agricultural policies, although it has been somewhat diminished over the years, was never more manifest than in these recent negotiations. The administration position that higher world prices for wheat would be in our wheat growers' interests adumbrated a return to stockpiling and production restrictions, and yet another round of self-fulfilling prophecies.

ADDITIONAL EVIDENCE AND PROGRAM CHANGES

Several studies have undertaken to assess the price and income consequences of varying degrees of program abandonment. They have been admirably summarized by Tweeten in his paper for the National Advisory Commission on Food and Fiber. These studies have rather uniformly suggested that major program removal would be quite costly to agriculture. There are certain limitations and qualifications to this set of studies, however, which mitigate the gloom. Their conclusions are heavily dependent upon major assumptions regarding demand elasticities and, particularly, production responses, in regard to which we are admittedly possessed of empty or partially filled boxes.

That we are likely to err on the side of pessimism if we are wrong in these regards may be implicit in the extent and rapidity of the transformation already witnessed in the food and fiber segment. These studies also tend to be highly aggregative, thus obscuring the highly particularized response that really occurs. Moreover, the focus upon price and income effects to farmers makes these estimates seem more ominous than they really are. There are numerous programs that society could afford to buy its way out of, even at prices which seem high when expressed in terms of the incomes of a few and without loss of income to those few. Unfortunately and unintentionally, the estimates of which I speak tend once again to polarize the issue: between what we have had in the way of programs and no program at all. This neglects both the concept of phasing out programs and the more important concept of a program of market orientation, to which I shall return.

Without for a moment disparaging the efforts to measure program costs or benefits, I should like to illustrate possible pitfalls which lie in this path by commenting briefly on the recent study by Tyner and Tweeten, in which they applied the simulation method to the 1930-60 period. They first simulated the actual agricultural sector, then simulated it without major government programs, with results which again suggest that farm incomes have been considerably higher than they would have been without the programs.

My serious reservations concerning these results are based upon the following: The estimated gross farm income derived from Simulation I (reflecting "the ability of the model to predict what has already occurred") is a good deal higher than the actual GFI (the model underestimates GFI in eight years and overestimates it in twenty-three years). For the entire period the first simulation overestimates GFI by 8 percent, which is more than the 7 percent difference between Simulation I (of the actual) and Simulation II (of the "free market"). And whereas attention will naturally focus upon the statement that "gross farm income for 1951-60 averaged 13 percent lower (without government programs)," this ignores the fact that the actual gross farm income averaged 17 percent lower than that estimated for the 1930-40 period *with* government programs.

Does this suggest that the simulation model substantially overestimates the influence of government programs? I think that it does, for the reason that this influence is measured by the essentially additive inputs (or pre-inputs) of government payments, government commodity diversions, and acreage diversions.

The relationships among the many other variables are quite complex, and the influence of individual variables may be partially obscured, with the result that the importance of these more straightforward variables is relatively exaggerated. The fact that the seven-year continuous period (1947-53) during which the model underestimated gross farm income was a period of high prices and relatively ineffective and inactive programs, underscores my suspicion that the model overestimates the effects of government programs. Yet again, it was precisely at the end of this period that Galbraith published his excoriation of program critics. If he had to be wrong, he could not have picked a better time to be wrong.

During the past decade or so it is also true that several program adjustments have achieved a closer market orientation than existed under prior programs. Prominent among these have been the PIK program for wheat export subsidization, the present cotton program, the present feed grain program, and the present wheat program. In short, and despite such features as the wheat marketing certificate, the programs for our major crops have a closer market orientation than they had a decade ago.

More recently, the National Food and Fiber Commission, if it did not chart the course, did at least obtain a remarkable unanimity on the desirability of a market orientation for the food and fiber industries.

THE PRESENT SETTING

In addition to those aspects already mentioned—of better evidence, changed conditions, improved programs, and a unanimous commission recommendation—there is much in the larger setting which augurs movement toward a market orientation. Agricultural policy has been the focal point of the policy climate for some four decades, and commodity price supports the cornerstone of agricultural policy; but it has become increasingly clear that this is a wrong focus and a weak cornerstone. Agriculture is but one segment of an increasingly integrated industry. The singling out of this segment for special policy treatment has rapidly lost its economic justification and appears destined to lose its political appeal.

Commodity price supports as a cornerstone of agricultural policy have been rationalized in terms of low farm incomes, yet the incomes which bring the average down are not appreciably affected by these programs. Meanwhile millions of the rural poor, whose plight was not alleviated by these programs, have migrated to the cities, and the white continues to flake off of the sepulcher. Agricultural policy as a focal point of food industry policy loses merit as the industry becomes more integrated, and loses force as farmers dwindle in number. The food industry today is largely an urban industry, just as society is a dominantly urban society.

There are many reasons to doubt whether massive subsidies in the form of commodity programs can long be sustained, not least among which is a reorientation of our thinking about the structure and composition of American society. For example, the Negro population of America is much larger than the farm population. The number of urban poor, by any standard, exceeds the number of rural poor. The number of college students exceeds the number of workers engaged in agriculture. The list could be greatly extended, but it already illustrates some changed dimensions which are bound to impinge upon our view of agricultural programs. Change in agriculture has been breathtaking—man hour productivity has risen faster than in any other industrial segment. Yet the North Central Farm Management Research Committee calculates that equilibrium adjustment in 1980 would require an average farm size of 1,200 acres in that region, compared with 314 acres in 1959. At the same time, less total capital and much less labor will be required to operate these farms efficiently. Policies which impede the inevitable adjustment may not much longer be tolerated in view of changes already apparent in the underlying social, political, and economic structure.

TOWARD A MORE MARKET-ORIENTED AGRICULTURE

The major policy criticisms which would be widely agreed upon today are somewhat different from those that were being stressed fifteen years ago. These criticisms do not comprise a complete policy guide by any means, but they provide hints for constructive remodeling.

1. There is general recognition of the highly regressive impact of commodity programs upon farmers' incomes.
2. There is ample evidence of program benefits having been capitalized into land values, and of the corollary accretions to net worth that are not measured in farm income.
3. There are demonstrable instances of products being priced out of markets, encouraging production elsewhere or of substitutes, under doubtful or unknown comparative advantages.
4. There is a vast segment of commercial agriculture, the exact dimensions of which are unspecified, which there is good reason to believe is viable under a market orientation.

None of the foregoing direct or implied condemnations of the policy was mentioned by Galbraith, whereas the criticisms which he catalogued have acquired more force with the passage of time.

Certain implications are clear:

1. The welfare argument for commodity programs has been all but completely eroded. Welfare programs should be geared to *persons,* not to *farmers,* and certainly not to producers of specified *commodities.*
2. Farmland is an overvalued plentiful resource. Any program which contemplates a once-and-for-all compensated deflation of land values is in the public interest.
3. Programs which incorporate the negotiability of allotments or other institutionalized production rights comprise a market-oriented step toward greater efficiency. This approach has been recommended by economists for many years and has been strongly endorsed by the National Food and Fiber Commission.
4. Better information on the key questions of export elasticities and production response is still required.

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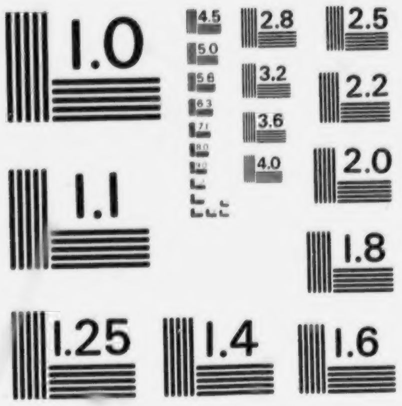
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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963-A

5. Continuing opportunities exist to obtain good bargains through buying our way out of certain programs, such as in the proposals outlined in Volume VI of the Technical Papers, National Food and Fiber Commission.

The basic reforms which are required, however, are matters of attitude and approach. We still speak of farm policy in the face of a crying need for a food and fiber industry policy. We speak of the farmer's share of the food dollar as though it were a meaningful concept.

We also tend to regard public policy and market orientation as *alternatives*. The market is neither myth nor shrine. It is a man-made form of organizing economic activity, which as such is the outgrowth of deliberate policies. Programs and government action are required if a closer market orientation is to be achieved. We speak of program dismantling or phasing out as though no program at all were required to achieve a market orientation. In this day and age, talk of turning all our problems over to free enterprise is somewhat reminiscent of the statement about "unleashing Chiang Kai-Shek." Our major social problems will not be solved by a mere unleashing of free enterprise to do the job. But they will only be aggravated by *wrong* public policies. In suggesting that a greater market orientation is a right public policy, I would not want to be understood as saying that government programs are unnecessary.

Indeed the major hazard which I see confronting our present opportunity for improved policy lies in the dog-in-the-manger attitude which views positive programs as mere threats to the status quo. We can foresee, with considerable apprehension, the day when the farm bloc will lose an important vote. Many elements of the present situation point toward that inevitability. Who would delight to see the programs then crumble like a house of cards, given the present opportunity for strengthening and rebuilding? Yet this is the real prospect which must be faced. The divergence of which Galbraith wrote has been narrowed, not so much because the orthodox analysis has gained new adherents, but because the political power to sustain the programs has been eroded. It is against this new perspective that positive programs toward a market orientation must be developed.

LAND DIVERSION AND SUPPLY CONTROL PROGRAMS

*Luther Tweeten, Barry Carr, and Gary Allen**

Land diversion and supply control programs have become a significant part of the agricultural establishment in recent years. They have been highly controversial, and the advantages and disadvantages of the programs have been well documented. Proponents argue that the programs have removed the great instability in farm prices and incomes, have provided a strategic reserve of production capacity to meet unpredictable emergencies such as wars and drouths, have provided an orderly outmovement of surplus farm labor, and have conserved farm resources for future generations.

Opponents argue that the programs have cost taxpayers too much money, have benefited only large producers, have regressively distributed income from taxpayers of modest means to prosperous farmers, have diverted public attention and support from the real problems of rural poverty, have interfered with freedom of farmers to produce and market as they please, have lost their effectiveness through capitalization of benefits into land or through slippage (bringing in new cropland, using more fertilizer, etc.), have interfered with commercial exports of farm products, and have caused inefficiency through freezing of production patterns and idling of land resources which have little value for anything but agricultural uses.

A number of suggestions to improve farm programs cover well-plowed grounds. It has been suggested that allotments be made negotiable, that acreage allotments be shifted to bushel or poundage quotas, that "normal" yields be set once and for all so farmers are not encouraged to expand yields to get more payments, that a farmer not be allowed to move allotments from a poor farm which he purchases to the good land on his "home" farm, that the farmer actually receive the market price for his marginal production (rather than a blend price) to constrain output expansion in a two-price or direct payment (grant) program, that long-term land retirement be expanded to remove marginal land from production and to reduce government costs, that program administration be streamlined at the local level, that payments be cut off or graduated for large farmers, and that program formulation be placed in the hands of an Agricultural Board patterned after the Federal Reserve Board.

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*Respectively, Professor of Agricultural Economics; Agricultural Economist with the Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture; and Research Assistant; all at Oklahoma State University. Mr. Carr is responsible only for the section of this paper titled "Program Preferences of Farmers," which is based on a cooperative survey conducted by the Farm Production Economics Division and the Oklahoma Agricultural Experiment Station. The opinions expressed in this paper are those of the authors and do not necessarily represent the views of the Farm Production Economics Division, Economic Research Service or the U.S. Department of Agriculture.

Many of these changes in programs have much merit, but chances for any major shift in commercial farm policies seem remote. A review of history suggests that crisis is the major impetus for major policy adjustments. The crisis took the form of extremely low farm income in the 1930's, war in the 1940's, large surpluses in the late 1950's, and farm revolt against mandatory programs in the early 1960's.

Factors that could cause major changes in farm programs in the 1970's include a major shift in the world supply-demand balance for food, unwillingness of farmers to accept current type programs, or serious erosion of farm political strength. Recent legislative action indicates that farm programs still have sizable support in Congress. This paper focuses on the two other potential crisis issues: (1) the world food supply-demand balance and its implications for U.S. agricultural programs and (2) the acceptance of current feed grains-wheat programs.

Farm economic problems and the consequent call for government programs have been explained by asset fixity, rapid improvement in technology, and an unfavorable trend in the world food supply-demand balance. Yet the farm economy has been depressed for an extended period—a period long enough to overcome most asset fixity. Furthermore, demand has expanded faster than supply in recent years. Productivity of farm resources was only 5 percent higher in 1967 than in 1958, and was the same in 1967 as in 1963 (USDA, June 1968). This slowdown in productivity gains, plus new sources of off-farm income for farmers resulted in an average net income per farm of $9,000 in 1966 and 1967; and farms with gross farm product sales of only $2,500 to $4,999 had net incomes averaging over $6,000 in the two years from all sources. Yet farmers seem to be more concerned than ever about economic conditions.

The favorable net income data quoted above do not include a charge for equity capital, and for operator and family labor. When the latter are included at opportunity levels in farm costs, then receipts do not cover all farm production costs. This problem, reflected in low returns on farm resources, is not really helped by government programs and will remain a persistent problem, whatever the parity ratio, until the structure of farming changes markedly.

INCREASING RETURNS TO FARM SIZE

Numerous studies have documented decreasing average costs and increasing returns to size of farm firms. But the concept has not been related to farm problems. Expansion in the farm firm is generally characterized by increases in the proportion of capital to labor, and of variable capital to fixed capital. These changes result in a sizable reduction in the cost per unit of production.

Evidence of decreasing cost per unit (increasing returns to size) is readily apparent in Table 1. In 1960, the cost of all inputs (including the opportunity cost of equity capital and of operator and family labor) per unit of output (including receipts from farm commodities, nonmoney income, and government payments) averaged \$2.67 on Class VI farms and \$0.91 on Class I farms. Most of the economies of size appear to be achieved by Class II farms, and unit costs decline very slowly beyond an annual output of \$30,000 per farm. Farms with sales under \$25,000 on the average lost money and did not cover all production costs in 1960. Farms with sales over \$25,000 received an economic rent per unit of output.

It may be said that small farms lost money because they paid too much for their land. Land tends to be a complementary input with farm size. There is constant pressure to expand farm acreage to achieve the economies of size. The savings through greater efficiency are bid into the price of land. The actual price of land tends to be that price which will make all costs, including real estate interest, equal to the value of all farm receipts *on an economic size unit.*

Competition in the land market tends to bid the land price to the point where the return on land will be equal to the return on capital in other uses. A potential buyer who is unwilling to pay this price will find land bid away from him by the investor who wishes to maximize returns. And investors will not pay more than this price because a greater return can be achieved on nonland investments. The residual return to land is greatest on large, efficient farms. The law of one price and the large potential number of investors will ensure that the "high" price for land on efficient farms will be the market price of land applicable to all farms.

The small farmer must pay this price or land will be bid away from him by an investor who has or can achieve an economic size unit. Thus the inefficient small farmer actually tends to incur losses if he pays the current land price. And the small farmer who has full equity in land is losing money if a charge is made for the opportunity cost of his owned land valued at the current price of farm real estate.

TABLE 1. OUTPUT, INPUT, AND EFFICIENCY BY ECONOMIC CLASS OF FARMS[1]

	Economic Class of Commercial Farms (Sales in Dollars)						
	I 40,000 and Over	II 20,000 to 39,999	III 10,000 to 19,999	IV 5,000 to 9,999	V 2,500 to 4,999	VI 50 to 2,499	Noncommercial Farms
1960 input per output (unit cost) (dollars)	0.91	0.95	1.10	1.34	1.69	2.67	2.91
1960 output per input (efficiency) (dollars)	1.10	1.05	0.91	0.74	0.59	0.37	0.34
1960 output if all farm resources had been used with respective farm-class efficiency (billion dollars)	46.9	44.9	38.8	31.8	25.4	16.0	14.7
Percent of all inputs in respective class of farm[2]							
1960	24.8	15.5	20.6	16.4	10.0	3.5	9.2
1965	33.5	19.1	18.6	11.3	6.2	3.9	7.4

[1] The cost of farm labor was computed as the opportunity wage rate per hour times man hour requirements by farm classes.

[2] The 1960 and 1965 estimates are not strictly comparable. The farm dwelling interest charge and 60 percent of the auto interest and depreciation are excluded in 1960 estimates to arrive at production inputs. These costs are included in the 1965 estimates because data were inadequate to remove them. Since dwelling and auto inputs tend to be relatively large for small farms, this explains the incongruously larger percent of inputs on the small Class VI farms in 1965 than in 1960.

In 1960 land was *not overpriced* at the margin because large farmers were earning returns greater than needed to hold capital in farming. But land was clearly overpriced for the average farmer who had gross sales under $25,000.

Class I farms require a substantial input of feed and livestock provided by other farms. Their structure is atypical, and if all farms were organized in this manner, there would not be sufficient intermediate farm inputs. Hence Class II farms provide a more meaningful measure of the potential gain in efficiency obtainable by a more nearly optimum farm size and combination of inputs. If all farms were organized as Class II farms, the actual 1960 total input would have produced an output of $44.9 billion, or 24 percent above the actual level. If all farms had been organized as those in Class II, only 1.2 million farms could have produced the 1960 output with $34.5 billion of inputs—19 percent less inputs than the actual total 1960 inputs of $42.8 billion. Even discounting the crudity of the approach, the results clearly point to large potential efficiency from reorganization of farms into more nearly economic units.

Because most size economies were achieved by Class II farms in 1960, there would have been few economic advantages in having a system of superfarms that would have reduced the number of farms much below 1.2 million. This conclusion applies only to 1960 conditions. In the future the unit costs will be reduced, decreasing the number of farms compatible with maximum production efficiency.

The heterogeneous size structure of farms helps to explain why land is overpriced for most farmers and why returns are low on farm resources of most farmers. It also is a partial explanation of why farm product prices tend to be low. The continued trend toward larger farms, apparent in the 1960 and 1965 distribution of inputs in Table 1, increases farm output. Based on the distribution for these two years and the output-input ratio by class of farm in 1960, output would increase 6 percent, or 1.2 percent annually from 1960 to 1965, due to the change in size distribution with the same total volume of farm resources as applied in 1960. Other things equal, this depresses total revenue as supply presses demand, and creates new pressures for farms to expand in size. Farmers are on a treadmill when they increase size and output because this, in turn, results in lower prices which creates the need for even more adjustments.

The decreasing cost theory is especially instructive in pointing out the permanency of the problem of low returns. An increase in the product price results in a larger residual return to land. The higher land return causes land prices to rise to the point where farm and nonfarm investors can realize a "parity" return on their investment. This land price is determined at the margin for adequate size units. It follows that small farms will on the average receive a low return on all resources valued at their opportunity costs even with higher farm product prices generated by supply control programs.

The decreasing cost theory of farm problems is related to technology and fixed resources. The ability to expand farm size is linked to the ability of farmers to purchase more land. And the ability to buy land and consolidate farms is linked to the rate at which a neighbor can find employment outside of agriculture. To the extent that education is inadequate to equip farm people for the exodus, that low-income farmers are uninformed or prefer farming as a way of life, and that labor unions and high national unemployment inhibit mobility, the process of adjustment to economic farming units is retarded. Technology, reflected in farm machinery and farm management, is continually changing. Public policy geared to preserve small family farms is likely to perpetuate the large number of inefficient farms. In 1960, only about 10 percent of all farms had an annual output above $25,000. Public policy must be concerned with getting more of the remaining 90 percent of farms into that category. Farmers will not get off the output-increasing, revenue-reducing, low-returns treadmill until this goal has been achieved. The analysis clearly demonstrates that government programs do not raise the net income to farm labor over extended periods (unless controls and transfer payments are accelerated), but the real contribution of programs is to reduce variation in farm prices and incomes.

FUTURE SUPPLY-DEMAND BALANCE

While the foregoing analysis shows that land diversion and supply control programs do not alleviate the problem of low returns to farm resources, these programs can prevent traumatic problems of adjustment to lower gross incomes as supply presses demand. Whether control programs will be needed depends strongly on the future trend in supply and demand for farm commodities.

Can American Farmers Feed the World?

The phrase, "American farmers cannot feed the world," has become trite. Some simple calculations can check the conventional wisdom expressed in this phrase. The estimates that follow are in terms of corn, but could also be made for substitutes such as wheat, potatoes, and other grains, pulses, and vegetables. Corn will provide 800-1,200 calories per pound. The minimum daily caloric requirements per capita can be met with three pounds of corn-equivalent per day. With 3.5 billion people in the world, 10.5 billion pounds of corn-equivalent are required per day, or 3,832.5 billion pounds per year.

An estimated 638 million acres are suitable for continuous cultivation in the U.S. and another 169 million acres are suitable for intermittent cultivation according to a recent report of the National Advisory Commission on Food and Fiber. If the latter acres are suitable for cultivation one in three years, then total cultivatable cropland in the U.S. is 700 million acres. A yield of 5,474 pounds (98 bushels) of corn per acre on 700 million acres would provide minimum caloric requirements for 3.5 billion people. This average yield could assuredly be attained using current technology with a major investment in fertilizer and irrigation. This production could also take place on 350 million acres yielding 196 bushels per acre. The U.S. clearly has the production capability to "feed the world" all by itself. Of course, protein supplements in the form of beans, fish meal, and petroleum-based synthetics would be required for an adequate diet.

The above example shows that the U.S. has a huge food production potential and the physical capability to feed the world. It would require an austere diet on the part of Americans. Meat, of course, would be excluded, and the diet would represent a considerable sacrifice from current standards. While the issue of whether the U.S. can produce enough to feed the world is academic, the real issue is the extent to which Americans will find it expedient or desirable to supply food aid. What sacrifices are Americans willing to make, and how much food aid is beneficial to other countries? The answer to such questions lies in economic, social, and political factors which cannot be predicted with great reliability. Yet projection of past trends gives some insight into what can be expected in the future.

Projection of the Future World Food Balance

A 1967 study by the U.S. Department of Agriculture considers future prospects for world grain production and use up to 1980. Measuring world food demand and potential supplies in terms of grains, it makes projections for the world food balance to 1970 and 1980 under various assumptions about the rate of economic growth in the food-deficit countries. The study relates demand to the rate of economic growth and population growth. Thus the projections show the effective food demands rather than food needs. The study deals only with grains. But since most food comes directly or indirectly from grains, the trends in grain production and consumption are a good indicator of trends in the world food situation as a whole.

The developing countries exhibit declining ability to feed themselves. But the ability of developed countries to feed themselves is increasing and more than compensates for any gap that emerges between production and food needs in developing countries. Thus the world in total is becoming better able to feed itself.

The projections by Abel and Rojko[1] showed a sizable surplus of production over effective demand. We balanced the world food budget by assuming the U.S. to be a residual supplier of grains. The resulting U.S. share of shipments from the major exporting countries is in line with past shares; hence, the method of balancing seems plausible.

This procedure was used to project U.S. grain production, acreage, and exports for 1970 and 1980. The results are summarized in Table 2. U.S. grain yields are projected to increase 2.4 percent annually between 1966 and 1980.

TABLE 2. U.S. GRAIN PRODUCTION, ACREAGE, AND EXPORTS PROJECTED TO 1970 AND 1980[1]

	Actual 1966	1970	1980
Grain production (million metric tons)	183.2	210.1	276.1
Acreage harvested (million acres)	150.9	152.9	163.0
Exports (million metric tons)	40.1	47.8	70.6
U.S. share of world exports (percent)	47.7[2]	48.2	52.1
Acreage diversion (million acres)	60.4	55.0	47.0

[1]Calculations based on data from Abel and Rojko, 1967.
[2]Estimate for 1964.

According to Table 2, the harvested U.S. grain acreage will need to be around 153 million acres in 1970 and 163 million acres in 1980, compared with 151 million acres in 1966. This represents no challenge to the U.S. productive capacity—185 million acres were harvested in 1959 and acreage had been even larger in earlier years. By shifting grassland, cotton land, and other land to feed grains, the U.S. could easily have 200 million acres of grains.

Grains currently account for half of the harvested cropland in the U.S. If other crops maintain their current supply-demand balance to 1980, and commodity programs similar to current ones are used in 1980, then the acreage diversion projected for 1980 ranges from 42 to 61 million acres with a most likely estimate of 47 million acres. This compares with 60 million acres in 1966.

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[1] Martin E. Abel and Anthony S. Rojko, *World Food Situation: Prospects for World Grain Production, Consumption, and Trade,* U.S. Department of Agriculture, Foreign Agricultural Economic Report 35, 1967.

Data in Table 2 can be used as a basis for predicting total demand for food and fiber in the U.S. It is recognized that domestic demand for the output of all U.S. farms can be predicted with greater reliability than export demand. If the domestic income elasticity of demand for farm products is 0.1, per capita income increases 2 percent annually, and population increases 1.4 percent annually, then total domestic demand increases at the rate of $1.4 + (0.1)2 = 1.6$ percent per year. If demand for exports other than grains increases at the same rate as grains, about 4.1 percent annually based on the estimates in Table 2, and if exports constitute 18 percent of the demand for U.S. farm output, then total demand for U.S. farm products will increase $0.82(1.6) + 0.18(4.1) = 2.0$ percent annually (the first term on the left is the domestic share, the second term the export share).

The average annual increment in productivity of farm resources from 1957 to 1967 was 1.2 percent. If this holds until 1980, farm production resources would need to increase $2.0 - 1.2 = 0.8$ percent annually to meet the growing demand. Farm resources have increased at about this rate since 1957. The conclusion is that farm resources will not be under stress to meet domestic and world needs in the foreseeable future. The most reasonable estimate, that farm production inputs will need to increase only 0.8 percent annually, could be revised upward substantially and still represent no great challenge to agriculture.

If productivity does not increase at the indicated rate through increased specialization, consolidation, and expansion of farm size, and the introduction of improved inputs, then the slack will have to be filled with more conventional inputs. Nevertheless, it is quite clear that U.S. farmers can meet any foreseeable contingency that arises, and excess production capacity is likely to exist by 1980 under a considerable range of possible circumstances.

PROGRAM PREFERENCES OF FARMERS

Programs to stabilize farm income must be acceptable to farmers. A 1968 survey in Oklahoma was designed to determine what voluntary programs (land purchase, easements, long- or short-term land retirement, etc.) would remove the most production per government dollar spent on the program, hence make taxpayer dollars go farthest to raise farm income. These results are now being summarized. Another product of the survey was farmers' opinions of what a program for wheat and feed grains should accomplish and the acceptability of a number of possible programs. The results are summarized in Tables 3 and 4 for a random sample of of 152 farms in three western Oklahoma counties: Grant, Harper, and Tillman. The results in Table 3 are also compared with estimates from a 1964 survey of 500 farmers in Oklahoma and Kansas.

TABLE 3. PERCENTAGE DISTRIBUTION OF FARMERS' OPINIONS OF WHAT A WHEAT AND FEED GRAIN PROGRAM SHOULD ACCOMPLISH[1]

Objective	Year	Agree	Undecided	Disagree
1. Keep farmer's cost of producing	1968	72	9	19
wheat and feed grains low	1964	62	18	20
2. Keep wheat and feed grain	1968	82	8	10
prices at parity	1964	91	5	4
3. Keep bread and meat prices	1968	26	24	50
low	1964	29	28	42
4. Assure wheat and feed grain	1968	81	7	12
producers parity income	1964	81	11	8
5. Give farmers freedom to produce and market as much	1968	31	14	55
as they wish	1964	55	14	31
6. Keep the government cost	1968	62	16	22
of programs low	1964	80	11	9

[1] Data from 1968 survey of 152 Oklahoma farmers and 1964 survey of 500 Oklahoma and Kansas farmers. Some of the 152 farmers were surveyed in the fall of 1967. The objectives were confined to wheat in 1964.

Objectives of Farm Programs

Farm economic conditions, rather than efficiency, low government cost, or low consumer food cost, received the strongest support for what a farm program should accomplish. The focus is about equally strong on parity prices and on parity income. However, the focus on parity prices appears to be less intense than in 1964. The runner-up preference in 1964, giving farmers freedom to produce and market without government regulations, was rated as the most important objective of farm programs by only one-tenth of all farmers. The introduction of a voluntary program for wheat in 1964 may have reduced the prominence of the objective of freedom in production and marketing. It is of interest that the percentages of agreement-disagreement on the freedom objective were of the same magnitude but exactly reversed between 1964 and 1968. Finally, farmers appeared to be less concerned about government costs when interviewed in 1968 than when interviewed in 1964.

Program Preferences

Table 4 lists farmers' reactions to several prominent proposed programs. Solicitation of responses was preceded with the statement: "The following programs have been proposed as ways to deal with the farm problem. If the programs could be made to work, would you approve or disapprove?"

Currently, the most talked about alternative to government programs is an organization of farmers themselves to control production and bargain collectively for higher farm prices and incomes. Only 53 percent of the 152 farmers interviewed approved and 30 percent disapproved of the proposal. This was a considerably lower rate of approval than the 69 percent who approved of item 7, essentially the current program for feed grains.

Item 2, use of sealed bids to divert land from production, has been suggested by economists as a way to cut the cost to taxpayers of farm programs. Farmers did not react favorably to it. Farmers reacted even less favorably to item 3, government purchase of farms to be converted into recreational or grazing purposes.

Another proposal is that the government reduce wheat and feed grain production by purchasing from farmers a lease on the rights to grow these crops. This lease could be of indefinite duration, with provisions for the farmer to recontinue cropping by buying back the lease at its purchase price plus interest. This proposal (item 4) and the proposal to make allotments negotiable (item 5) received a cool reception.

Farmers indicated reservations, as in the 1964 survey, concerning a free market. Twenty-five percent of them approved and 61 percent disapproved of the program. These results are consistent with the 1964 survey. In 1968, farmers showed little enthusiasm for returning to the mandatory programs of pre-1964 years, according to item 8.

In short, the recent survey of Oklahoma farmers indicated considerable satisfaction with the current type of programs. The only other "satisfactory" program, which only a slim majority approved, was an organization of farmers themselves to run programs. A recent *Farm Journal* poll showed even higher percentages approving self-help bargaining for farmers. Collective bargaining in grains appears to hold few economic advantages over current programs, since consumers are unlikely to tolerate substantially higher food wheat prices, and export markets will be lost if prices are set too high. Yet there are strong sociological arguments favoring collective bargaining.

TABLE 4. PERCENTAGE DISTRIBUTION OF 152 OKLAHOMA FARMERS' APPROVAL OR DISAPPROVAL OF SELECTED FARM PROGRAMS, BASED ON 1968 SURVEY[1]

Program	Approve	Undecided	Disapprove
1. An organization of farmers themselves (independent of the government) would control production to raise farm prices and incomes.	53	17	30
2. A farmer would submit sealed bids to the ASCS showing the payment required for him to divert land from production. The ASCS would accept those bids from farmers that would remove the most production per dollar spent by the government.	20	16	64
3. The government would buy whole farms and combine several farms to be used for public recreation or leased for grazing.	4	5	91
4. The government would lease the rights to grow wheat crops and feed grains on a farm. Then this farm could no longer grow wheat or feed grains for the duration of the lease. The owner could use the land for any other purpose, including the production of other crops.	21	14	65
5. Wheat and feed grain allotments could be bought and sold between farmers, so that allotments would eventually reach the hands of those who would make the best use of them.	16	5	80
6. All government controls and price supports would be terminated, and the farm economy would be on a free market.	25	14	61
7. Wheat and feed grains would be under a voluntary acreage diversion program. Each individual farmer would be free to decide each year if he wants to receive payments to divert land from his crop allotment and be eligible for price supports.	69	12	19
8. Wheat and feed grains would be subject to mandatory acreage controls of the type used for wheat before 1964. All farmers would be required to comply with allotments if approved in a national referendum.	32	15	53

[1] Preliminary data from survey of 152 Oklahoma farmers, some interviewed in the fall of 1967.

Our recent survey of Oklahoma farmers revealed considerable discontent. A term to describe the current feelings of commercial farmers is *anomia*. The word means social alienation, a lack of confidence in one's environment. This word has long been used to characterize the rural poor, but this attitude is growing among commercial farmers. They feel they individually are helpless in the hands of big government, big business, big labor, and "big nature." They feel they are slowly being squeezed out between the forces that mean higher costs for what they buy and lower prices for what they sell. This so-called cost-price squeeze and farm discontent are not new—what is different is the feeling of pessimism, frustration, fatalism, and helplessness at a time when farmers express strong approval of the current commodity programs and when farm income is quite high. Discontent is accelerated by high land prices—substantial monetary benefits of farm programs have gone to original landowners, leaving the new, young, heavily indebted farm operator highly vulnerable to lower commodity prices.

The backbone of the grain economy, the efficient operator of a 500 acre wheat farm in western Oklahoma or Kansas, is for the first time feeling the economic pinch. A farm now must be even larger to be highly efficient, and comparatively few operators will be able to achieve an economic unit.

The best way to overcome the discontent of grain producers is to increase their involvement in policy and program decisions. Market power is now "in" with several farm organizations and commodities, including fruits, vegetables, dairy products, and broilers. Collective bargaining has distinct limitations for grains, but perhaps farmers can be given more say in economic decisions than in the past. Bargaining boards could overcome anomia in two important ways—one is to make farmers feel they have a voice in grain policies, and the second is to increase the economic education of farmers. It might be well to explore ways to aid grain farmers to form a large self-help bargaining association even though the economic benefits are illusory.

SUMMARY AND CONCLUSIONS

A major change in the direction of government programs of acreage diversion and supply control could be caused by crises in the world food supply-demand balance or unfavorable attitudes toward such programs by farmers. Projections of the world supply-demand balance indicate that farmers are likely to operate within the context of excess supplies and a cost-price squeeze for some time in the future in the absence of programs to control production and stabilize the farm economy.

These stabilization efforts should be kept in perspective, however. The analysis in this paper shows why problems of low resource returns will plague the majority of farmers for many years, until farms move to efficient size units through consolidation and other means. Capitalization of program benefits into land values is of continuing concern, and certainly dampens enthusiasm among economists for greater transfer payments from taxpayers or other extra-market, "artificial" means to raise incomes above current levels. But while farm operators would receive about the same net return for their labor and management in the long run without government programs, the adjustment to lower gross farm receipts would be traumatic indeed. Some form of economic stabilization, either run by farmers themselves or by the government, is likely to remain. Problems of high land values inflated by capitalized program benefits and low returns will plague farmers, and are one cause of current discontent especially among young farmers.

The reaction of farmers to some proposed alternative programs was ascertained in a recent survey of 152 farmers in commercial farming areas of western Oklahoma. The results showed considerable support for current programs. The only other program receiving significant approval was for an organization of farmers themselves to control production and stabilize the farm economy. The survey revealed considerable discontent among farmers, although they approved of current programs and their gross incomes are not low. To overcome the feelings of anomia, it is suggested that ways be explored to help farmers obtain greater bargaining power. The endeavor could produce two principal products: an awareness of the nature of markets which they face and an involvement in economic policy decisions.

PART IV

Rural Poverty

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THE UNIVERSITY'S ROLE IN PROGRAMS ON RURAL POVERTY

C. E. Bishop, Vice President
University of North Carolina

The Report of the National Advisory Commission on Rural Poverty in 1967, *The People Left Behind,* contained distinctly different recommendations for coping with low incomes in rural America than were contained in the Report of the Country Life Commission in 1909. Both Commissions suggested numerous steps for improving the quality of rural life. Both were established because of concern over the discontent among people in rural areas and the mass migration to the towns and cities.

The Country Life Commission recommended increased emphasis upon education that would prepare people for more effective living in the rural areas, a system of extension education for rural communities, changes in financial institutions to provide longer term and lower cost farm mortgage credit, expansion of farm cooperatives, and a system of surveys to collect agricultural data. In contrast, the Rural Poverty Report placed emphasis upon equality of access to public services; more vigorous national action to achieve and maintain full employment; income maintenance programs; reorganization of government in sparsely settled areas; public investment in the development of the infrastructure in potential growth centers; and a massive program of human resource reclamation, including preschool programs, compensatory education, intensive occupational preparatory programs, on-the-job training, effective coordination of testing and counseling programs of the Employment Service and the Extension Service, and relocation assistance to help guide migration to and from the sparsely settled areas of the United States.

Why were there such sharp differences in the recommendations of two Commissions established by two Presidents to study essentially the same problems? The answers are to be found in differences in the state of the development of the economy in the two periods and differences in the degree of knowledge relative to the operation of the economy.

When the Country Life Commission Report was submitted the United States was largely a farm-based society. The well-being of farm people was closely correlated with conditions on farms. Almost one-third of the population lived on farms, and more than one-half were rural residents. Farming was regarded as the good life; it was by far the largest form of employment in the nation, and the capacity for increased employment in farming seemed very great.

In this context, the Commission offered recommendations designed *to shift the supply curve for agricultural products sharply to the right*. The public subsidies recommended to reduce the cost of mortgage credit to farmers, to provide vocational agricultural education, to develop scientific information, and to provide technical assistance to farmers all were designed to decrease the cost of producing farm commodities, thereby shifting the supply function to the right. The recommendations with respect to cooperative marketing were offered in the hope of decreasing the cost of inputs purchased.

The recommendations of the Country Life Commission were very effective. From these recommendations emerged the Federal Land Bank System, the Cooperative Extension Service, vocational agricultural education, modifications in land-grant university curricula and programs, and other significant changes. This Commission should be credited with developing the institutional structures that transformed American agriculture into the vast productive machine that it is today.

Why, then, are we still concerned about rural poverty in 1968? Unquestionably, many people who might otherwise have remained in poverty escaped as a result of the programs emanating from the recommendations of the Country Life Commission. On the other hand, there can be little doubt that the recommendations of this Commission were oriented toward the establishment of a commercial agriculture and that the agencies created to administer the new programs were organized and operated in ways which encouraged working with those *who had the greatest capacity to increase production*. Resources were allocated to those uses where it was expected that the pay-off in terms of increased production would be greatest.

Between 1909 and 1968 the rural areas of the United States experienced unparalleled structural changes. There were sharp declines in manpower needs in the natural resource based industries—agriculture, forestry, fisheries, and mining—and a substantial reorganization of economic functions among communities. Many economic functions were transferred from the villages and small towns to the larger towns and cities. Many of the small communities were unable to keep pace with the changes in the economic and social fabric of the more prosperous ones. Accordingly, many rural communities formerly providing service functions for rural families experienced an eroding away of their economic base.

The structural changes that have taken place were stated succinctly in the Report of the National Advisory Commission on Rural Poverty as follows:

> Developments in transportation and communication systems along with the expanding network of roads and highways have confronted many villages with competition from larger towns and cities. The result has been an extension of the trade areas of the larger towns and cities into areas once served by villages. The same developments have made it possible for rural people to commute farther to jobs in towns and cities. . . . In varying degrees rural areas are now parts of larger economic communities with a dominant town or city at the center, the community encompassing several counties. The linking of rural to urban areas is continuing and indeed, the rural-urban distinction is becoming meaningless. . . . In short, country, town and city are one. They cannot be separated.

As the urbanization process transformed farming, it also transformed rural communities and altered their relationship to urban centers. In many respects mobility has been substituted for location.

The urbanization of rural America brought many changes that could not possibly have been foreseen in 1909. Perhaps the most significant of these is that urbanization is accompanied by lessening dependence upon tradition and growing reliance upon the discovery and use of knowledge. As knowledge is discovered it opens up new possibilities for society. To be used most effectively it must be related to other knowledge in a meaningful whole. In the traditional agrarian society organization was simple, and most economic activities were conducted in a direct and verbal manner. In the urbanized society emphasis is placed upon specialization of function, and many activities are conducted by specialists through highly structured organizations and agencies. In this society effective linkages among firms and among communities assume greater importance. Equilibrium for population and economic activity has been altered by changes in production, transportation, and communication technology. The structure of society has been changed in an effort to reap the benefits from these improvements in technology. It will continue to change as additional changes in technology occur.

The urbanization process in the United States has given us vast and rapidly expanding productive potential. Consequently, instead of promoting policies designed to shift the supply function for farm commodities to the right, for the past thirty-five years U.S. farm policy has been directed toward shifting the supply function for farm commodities to the left.

The urbanization of the United States has had other effects that called for a change in policy directions. Urbanization gave rise to an increase in the demand for highly skilled manpower relative to low skilled manpower and increased the return from investment in human capital relative to investments in reproducible forms of nonhuman capital. As the life expectancy of man is extended and his productivity increases, his economic value also rises. This increase occurs both in the industrial sector and in the farm sector. But, because the demand for human resources is derived from the demand for the products that they produce, the low price elasticity of demand for farm commodities has kept the increase in the return for the human resources in farming relatively low. Consequently, urbanization has been accompanied by an increase in the premium on preparation for nonfarm employment. The rise in returns for manpower in nonfarm employment has increased the costs of impediments to entry into nonfarm occupations. As a result, the costs of racial and residential discrimination, differences in access to education and training programs, and other barriers which impede labor mobility have increased as the economic value of man has increased. This increase in the cost of these barriers and the more widespread recognition of this cost, resulting from improved communications throughout the nation, undoubtedly have been important factors underlying the recent resurgence of demands for equal access to economic opportunity. Those who have been denied access now know what they have been denied. They must be denied no longer.

It was in this context of a highly specialized, highly organized, rapidly urbanizing society, that the National Advisory Commission on Rural Poverty made recommendations to combat rural poverty. The Commission recognized that many rural towns now are merely hollow economic shells. They contain neither the economic base for developing viable social institutions nor for maintaining those that currently exist. The Commission recognized that, because they were presented with no alternatives, many rural youth were being trained to climb an agricultural ladder from which the rungs were removed long ago. In short, our institutions have fallen woefully short in adjusting to the rising economic value of man and to the changes in the economic structure associated with the vast urbanization of rural America.

The Commission quickly perceived that the economic value of man was rising largely because of our ability to develop the human resource and that, in order for individuals to participate in the rise, substantial investments in human capital are necessary. To a large extent education and training determine the degree of participation in the rise in the economic value of man. The institutions of higher education, therefore, play an important role in determining the distribution of the benefits associated with urbanization and increased productivity.

Because of the central role that the institutions of higher education play in the urbanizing society, it behooves us to ask how the rise in the economic value of man affects the programs of these institutions. In a sense the institutions of higher education should be viewed as agencies issuing passports to opportunity. They constitute a channel through which upward economic and social mobility can be achieved. Unfortunately, because of the increasing costs of participating in their programs, and because of admission criteria often emphasizing previous education, the institutions have not provided widespread opportunity to the deprived. They, therefore, have not served as effectively as they might in providing upward social and economic mobility. This failure has generated increased demands to facilitate access to institutions of higher education.

The desire to facilitate access to the institutions of higher education is of long standing in the United States. It was in this context that the land-grant universities were established to provide educational opportunities for the sons and daughters of farmers and mechanics. As early as the 1860's it was recognized that education had value and that it served as an avenue to better opportunities. There was concern that access to better economic opportunities was being denied by limited access to higher education. It was believed that the land-grant colleges and universities would provide this access. Recently these same demands have culminated in widespread development of community colleges and regional universities.

Clearly, the recent enhancement in the economic value of man has provided greater incentives for development and conservation of the human resource. Some implications for the land-grant universities are apparent.

The returns from recruitment, effective counseling, and decreasing attrition in educational programs have been increased. Unless the costs have increased accordingly, more resources should be devoted to these activities.

In like manner, a greater share of the research resources of the universities should be devoted to the study of various forms of investment in human resources, to structural organizations of society that will facilitate access to health, educational services, and other forms of investment in the human agent, and to ways of removing barriers to the development and utilization of the human resource potential. The rise in the economic value of the human resource has increased the income that must be foregone while enrolled in education programs. The universities, therefore, should bring their research resources to focus more sharply upon ways of decreasing the time required to achieve specified standards of education and should devise means of making educational materials available to people without a sacrifice of earnings. Teaching methods should be devised that are effective in reclaiming human resources, and programs of continuing education should be developed to decrease their rate of depreciation.

If the programs of the universities are to be consonant with the implications of the rise in the economic value of man, their content must be changed accordingly. More programs should be directed to the development and use of human resources. Criteria of performance must be evolved that encourage more efficient development of human resources. In extension programs, for example, relatively less emphasis must be placed upon achieving farm commodity production targets and more emphasis upon developing the potential of human resources.

The rise in the economic value of man in our society is not accidental. It is intentional. It was in the expectation, *and hope,* that this rise would continue that the National Advisory Commission on Rural Poverty placed so much emphasis upon the need for a massive program of reclamation and development of the human resources of the poor. The universities can play a leadership role in this development. University programs are not very flexible, and it will not be easy to reorient programs to give greater weight to human resource development. But it can be done. Indeed, it must, for the development and conservation of the human resource is the ultimate relevance of the university to society.

INSTITUTIONAL LIMITATIONS AND OPPORTUNITIES TO ALLEVIATE RURAL POVERTY

C. Edwin Gilmour, Director
Program in Practical Political Education
Grinnell College

The marriage of university research and field outreach has transformed U.S. agriculture into a fabulously productive system that is the envy and the hope of the world. Perhaps it is time that this successful model should now be turned to the development of the potential of what Gunnar Myrdal has called "the greatest underdeveloped area of the world": the American poor. Extension personnel have demonstrated that they can increase the productivity of the land in rural America; perhaps this same experience and expertise should now be directed toward increasing the productivity of the people in rural America, particularly those who, more than any other, have been the forgotten and neglected in our generation: the rural poor.

A PROBLEM NEWLY RECOGNIZED

The NACD Conference on Rural Poverty

Save in the speeches and writings of a limited number of people-oriented rural sociologists and agricultural economists, it has been only recently that the problem of rural poverty and its substantial and serious implications for the entire nation have been recognized.

One of the first agencies to focus national attention on the needs of rural citizens and their communities and on the direct relationships of rural and urban poverty was the National Association for Community Development when, in late January 1967, it sponsored a National Conference on Rural Poverty in the nation's capital. This conference attempted to dramatize the slow start of the War on Poverty in rural America and to stimulate new commitment of will and resources to the rural poor.

In three days of papers, speeches, panels, and workshops, evidence was piled upon evidence that the rate of economic poverty in rural America was almost twice that of urban America and that rural residents were made and kept poor because they were being denied their fair share of the product and prosperity of an affluent nation. The conference turned to an explanation of this wide differential in economic poverty between rural and urban areas. Catalogued were the inadequacies and limited effects of the programs of education, health, housing, legal services, employment, farm credit, income support, and economic development in rural areas. The personnel involved in these programs, particularly at the state and local levels of government, were accused of racial discrimination, an anti-poor bias, political favoritism, and administrative sloth or ineptitude. The programs and the personnel of the two federal agencies that have been assigned particular and unique responsibilities concerning rural poverty, viz., the U.S. Department of Agriculture and the Office of Economic Opportunity, were singled out for candid, and at times cruel, criticism. Finally, the resource allocation processes of the President and the Congress and the budget allotment processes of the federal bureaucracy were indicted for a niggardly awarding of money and men for the needs of the rural poor. The central finding and conclusion of the conference was that:

> Economic poverty exists and persists in rural America to a much greater extent than in urban America because of the low level and ineffective nature of the human development services in rural areas, and this, in turn, is due to the failure to allocate sufficient personnel and material resources to the real human needs that exist in these areas.

A New Awakening to Rural Poverty

This new awakening to the problem of rural poverty and to its widespread national repercussions has been evidenced rather impressively since the NACD Conference. In its report of July 1967, the National Advisory Commission on Food and Fiber observed that:

> The most important (and most neglected) aspect of policy for agricultural adjustment is the task of finding better opportunities for those whose economic prospects are limited by the onset of farm technology. This is the key to improving incomes both for the people who are leaving and those who remain.

The National Advisory Commission on Rural Poverty opened its report, released last December, with these sentences:

> This report is about a problem which many in the United States do not realize exists. The problem is rural poverty. It affects some 14 million Americans. Rural poverty is so widespread, and so acute, as to be a national disgrace, and its consequences have swept into the cities, violently.

The National Advisory Commission on Civil Disorders devoted an entire chapter of its March 1968 report to the migration of millions of Negroes from the South and the resulting formation of racial ghettos in cities in both the North and the South. And, in its trenchant report just a few months ago, the Citizens' Board of Inquiry into Hunger and Malnutrition reported shock, indignation, and demands for action at its findings that particularly in rural America, hunger, malnutrition, and even starvation "exist in this country, affecting millions of Americans and |are| increasing in severity and extent from year to year."

Finally, the leadership of the American labor movement, a private institution with a predominant urban constituency and orientation, said this, within the past month or so:

> The problem of urban poverty and of rural poverty are closely intermeshed; to solve either we must work at solving both. If all Americans are to live decently, increased job opportunities and improved living standards must be achieved throughout rural areas as well as in our over-crowded and crisis-ridden central cities.

A PROBLEM RECOGNIZED BUT UNMET

Perhaps encouragement should be taken from the belated acknowledgment during the past year and a half that rural poverty is truly a national problem of substantial proportions and that it demands early and effective response. However, if the reports and observations just noted indicate that this problem finally has been raised to the level of public consciousness, there is precious little evidence that it also has been raised to the level of public concern, conscience, and commitment.

The NACRP Report

One of the serious and continuing obstacles to the design and implementation of an effective antipoverty program for rural America has been the dearth of knowledge concerning the extent, the character, and the causes of rural poverty. This gap of information and insights has been substantially filled with the publication of the final report of the National Advisory Commission on Rural Poverty and its supporting documents. The Commission report, *The People Left Behind,* examines specific rural problems and suggests new programs and proposals, as well as changes in existing antipoverty efforts.

A Stark Picture of Rural Poverty

Several realities concerning rural poverty are either unknown to most Americans or are misconstrued by them. Contrary to popular impression, there is much more poverty in rural America, proportionately, than in our cities. In metropolitan areas, one person in eight is poor and in the suburbs the ratio is one in fifteen; but in rural areas, one of every four persons is poor. Further, most Americans will be surprised to know that not all of the rural poor, or even most of them, live on farms, nor are they mostly Negroes.

Unemployment and underemployment are major problems in rural America. While the unemployment rate nationwide is presently somewhat less than 4 percent, the unemployment rate in rural areas, in the off-season, approaches 12 percent. Studies based on 1960 census data estimate that more than 18 percent of all employed rural residents, both farm and nonfarm, are underemployed. The underemployment rate for farm residents is almost 37 percent. Public employment service and training programs to meet these problems are notably lacking in rural areas.

The quality of rural schools is low compared with urban schools. And the educational product of these rural schools reflects these lower levels of educational resources. The 1960 census revealed that over three million rural adults had less than five years of schooling and were classified as functional illiterates; almost three-quarters of a million of these persons had never enrolled in school. The average years of schooling for rural nonfarm adults was 9.5 years and for rural farm adults 8.8 years, as contrasted with an average educational achievement level for the urban population of 11.1 years. Only 11 percent of the rural adult population had any college education, compared with 19 percent of the urban population. Rural youth, while apparently getting a better education than their parents, were noticeably behind their urban counterparts educationally. In 1960, 28 percent of rural nonfarm youth and 23 percent of rural farm youth dropped out of school before graduating; these rates compared with 21 percent for urban youth. In that same year, about twice as high a proportion of urban youth as rural youth were enrolled in college.

The Advisory Commission was profoundly disturbed by the health problems of low-income people in rural America. Disease and premature death are startlingly high among the rural poor. For instance, infant mortality is far higher among the rural poor than among the least privileged groups in urban areas. More common also are chronic diseases among both young and old. Hunger and malnutrition are widespread, often contributing to diseases related to inadequate diets. And rural families average fewer visits per person to physicians and dentists than do urban residents. Related to these health problems in rural America is the scarcity of health manpower and facilities there.

Census data show that decent housing is an urgent need of the rural poor. One of every thirteen houses in rural America is officially classified as unfit to live in. In 1960, 27 percent of occupied rural housing was classified as deteriorating or dilapidated, compared with 14 percent for urban areas. Fewer than half of all rural homes have central heating, and less than one-fourth of rural farm dwellings have indoor water and toilet facilities. In the face of these critical housing needs, the Commission found that existing housing programs—public housing, rent supplements, and the housing programs of HUD and FHA—had had minimal effect.

A similar pattern of unmet need and of inadequate remedial resources was found by the Advisory Commission in three other functional areas, viz., family planning services, public income support programs, and area economic development programs.

Finally, the Commission describes the disintegration of the small town or village as an effective institution in rural America. Technological progress has brought sharp declines in the manpower needs of agriculture, forestry, fisheries, and mining, with few new industries as replacements. Many of the economic and social functions of the rural communities have been taken over by larger towns and cities. Robbed of an adequate tax base by a declining economy, the public services of the typical rural community are inadequate in number, magnitude, and quality.

The Advisory Commission concluded that:

> Because rural Americans have been denied a fair share of America's opportunities and benefits, they have migrated by the millions to the cities in search of jobs and places to live. This migration is continuing. It is therefore impossible to obliterate urban poverty without removing its rural causes. Accordingly, both reason and justice compel the allotment of a more equitable share of our national resources to improving the conditions of rural life.

AN INQUIRY INTO THE FAILURE OF RURAL INSTITUTIONS

The picture of rural poverty just sketched indicates serious deficiencies in the institutional system of rural America. If rural poverty is to be alleviated, then these institutional inadequacies must be identified and understood.

The Rural Village

Since the major social, economic, and governmental institutions of rural America are centered in the small towns and villages that service both rural nonfarm and farm residents, it is necessary to understand the rural village better in terms of its present realities and capabilities. Typically, the rural village is faced with the dilemma of providing needed services, particularly for its older residents, with a relatively small number of active adults to furnish financial support for these services through taxes, to provide community leadership, and to adjust to changing circumstances.

The Advisory Commission concluded that "our hamlets and villages are parts of a larger community which must include urban as well as rural elements if either is to survive." The Commission called for an expansion of governmental efforts to foster community organization and development, for better coordination between the OEO and USDA community organization programs, for better identification and integration of all public and private resources available for community development, and for the broadening and strengthening of thc responsibilities of the land-grant universities and their Extension Services to encompass the problems of rural and urban poverty, regional development, and urbanization.

The Social Institutions of Rural America

The financial dilemma of the typical rural village means that most rural communities do not possess adequate financial resources to support effective social institutions, whether these are financed publicly or privately. Moreover, it appears that in many local areas, the potential fiscal capacity that does exist is not being fully utilized. Finally, there is little evidence to suggest that extralocal financing from federal or state sources or from private sources has been sufficient to overcome existing institutional deficiencies.

The lack of adequate financial resources for rural social institutions inevitably affects the number and quality of the professional personnel of such institutions. Further, in many instances, professionals lack organizational support, facilities, and professional contacts which they consider necessary for the satisfactory performance of their professional duties. Also, the absence of cultural amenities and the dearth of good schools in low-income rural communities deter the recruitment of well-educated, experienced professionals.

Many of the more troublesome problems of local institutions in rural America can be attributed to their organization. Most rural social institutions are too small to render good service and tend to be more expensive on a unit service cost basis. Further, the vertical relationships of these institutions to agencies at a higher administrative level have been complicated by institutional specialization of the extralocal agencies and the substantial shift of decision making out of the local community. The coordination of different institutional systems to produce optimal community benefits is, therefore, made more difficult. Lastly, the problem of service integration has been accentuated by the numerous overlapping service districts.

The Advisory Commission recommended the increase of federal and state financial support to rural service institutions, the encouragement by federal and state granting agencies of the development of larger institutional service units, the establishment of comprehensive area-wide service centers with adequate professional personnel and facilities, and the acceleration of the development of congruent service areas.

The Economic Institutions of Rural America

In assessing the economic institutions of rural America, the conclusions are sobering, if not melancholic. The declining manpower needs of agriculture, forestry, fisheries, and mining have been noted. The direct results of this widespread decline in rural employment are the personal poverty of unemployed or underemployed rural residents and the community poverty of inadequate service institutions. If the existing mutually reinforcing and cumulative patterns in rural America of low employment levels, community disintegration, inadequate human development programs, high taxation, and cultural isolation are to be corrected or reversed, new or expanded economic activity must be brought to rural areas.

A rural community attempting to achieve economic growth and development is faced by a dilemma. Adequate physical facilities for rendering essential community services and adequate service programs are prerequisites to the industrialization of rural areas; yet, only industrialization can make available the tax base and other community resources needed to increase public investment in social overhead and improve the service institutions in the typical rural community.

Three major public policy proposals have been offered to deal with economic poverty in rural areas: (1) the relocation of industry to rural areas; (2) the creation of growth centers; and (3) the stimulation, through public subsidy, of continued migration of the rural poor to urban areas.

The location or relocation of industry in rural areas appears to be a logical solution to the economic distress of rural America. Rural areas, it can be argued, have the natural resources and the human resources to sustain industry. And the employment and income that will accompany the industry will begin the revitalization of rural communities and rural life. However, the manpower resources of rural America are geographically maldistributed, and they are generally of a poor quality so far as industrial skills and productivity are concerned.

The concept of the growth center was recently included in federal legislation establishing the U.S. Economic Development Administration. As applied to rural areas, a growth center would be a point at which population is brought together from a number of diverse places to create an urban area with sufficient resources to serve the modern needs of its residents and those of the surrounding rural area. There is disagreement concerning how rural growth centers should be identified and developed, how large they should be, and how many would be needed to employ the rural poor. But the growth center as the focus of rural economic development may have economic advantages over the rural location of industry and its necessary dispersion. Such claimed advantages include: (1) a reduction of commuting time between home and work by centralizing the residences of workers; (2) a larger pool of workers and skills, making specialization of function possible; (3) an economy in transport time and cost; (4) availability of services of an urban character to the surrounding farm population; and (5) usefulness as a staging area for adaptation of many rural migrants to urban life before they move to larger cities.

The third alternative is really a deliberate and planned acceleration of the historical pattern of voluntary relocation by which more than 25 million persons have migrated from rural to urban areas in the past four decades. Government policy would induce the rural poor to move to metropolitan centers through travel, relocation, and income payments. These migrants could receive training either before they leave the rural area or, more probably, at their destinations.

In recent years top political leaders in the United States have condemned the continuation of this historical migration pattern because it results in further urban congestion, in more urban unemployment, in higher costs of public services in urban areas, and in additional tax burdens on present urban residents. In the 1967 amendments to the Economic Opportunity Act, the Congress included the following statement of policy:

> It shall not be the purpose of this title or the policy of the Office of Economic Opportunity to encourage the rural poor to migrate to urban areas, inasmuch as it is the finding of Congress that continuation of such migration is frequently not in the best interests of the poor and tends to further congest the already overcrowded slums and ghettos of our Nation's cities.

The recommendations of the Advisory Commission on Rural Poverty for the economic growth and development of depressed rural areas represent acceptance of the growth center concept and the inducement of industry to locate in "area development districts."

Federal planning grants to organize and develop such area development districts, the location of federally supported or subsidized facilities in such growth centers, federal tax incentives and the use of the federal government's procurement practices to stimulate new industries in lagging rural regions—all these proposals were made by the Commission.

Recently, in two separate reports, the Advisory Commission on Intergovernmental Relations supported these twin federal goals of encouraging the development of rural growth centers and the use of incentives to locate industry in these centers. In 1966, the Commission recommended the establishment of multipurpose, area-wide public agencies in rural areas to undertake physical, economic, and human resource planning and development programs over multicounty areas. And, just two months ago, the Commission recommended, as part of its call for a national urbanization policy, a federal incentive plan for business and industrial location in rural areas.

The Governmental Institutions of Rural America

Rural poverty both contributes to inadequate governmental institutions in rural areas and is created and perpetuated by these governmental deficiencies. Thus, commonly, the governmental policies and services of rural communities deter economic growth and limit the resources of the rural resident in terms of his health, education, vocational skills, self-respect, and social involvement. On the other hand, the economic resources of the local citizens and of the community are insufficient to maintain more progressive or productive governmental policies and services.

The Advisory Commission on Rural Poverty concluded that rural local government is characterized "particularly by inadequate revenues, unprofessional administration, undersized jurisdictions, and lack of real interest in the problems of poor people." And it called for a structure of government that reflects and responds to the realities that, in recent decades, the area of economic and human activity has broadened substantially and the needs of rural America are now closely linked with urban America.

Specifically, the Commission recommended: (1) that states permit, by enabling legislation, the establishment of area development districts; (2) that states provide planning and technical assistance to such districts; (3) that these districts be so organized as to involve the coordination and cooperation of local governments and private interests; (4) that these area development districts be assigned a full range of responsibilities, including such direct operating functions as area-wide library systems, health programs, park systems, antipoverty programs, industrial development, vocational training, or pollution abatement; and (5) that adequate federal funds be made available for the support of effective community action antipoverty programs in rural America.

POTENTIAL AND PROMISE VS. PERFORMANCE

Some sense of the nation's reaction to rural poverty today may be gained by looking briefly at the response on the part of the President, the Congress, and the federal bureaucracy to the recommendations of the report of the National Advisory Commission on Rural Poverty.

Presidential Response

Several observations can be made concerning Presidential response to the report. First, although the report was printed in September 1967, it was not released publicly by the White House until December of that year. Informed observers explain this delay as a deliberate downplaying of the report, because its recommendations embarrassed the administration by exposing not only the poverty of rural America but also the inadequacy of present antipoverty programs and effects. Second, only a small number of the proposals in the report, and none of the significant ones, have been put before the Congress by the President. Third, the National Association for Community Development, just this week, in Kansas City, sponsored its second Conference on Rural Poverty, to get the Commission's report off dead center and to consider the development of a "rural coalition" to pressure the President and Congress to act on the Commission's recommendations.

Congressional Response

The response of Congress must be viewed as little better. In 1967, the Congress, in amending the Economic Opportunity Act of 1964, declared it to be the purpose of the Act and the policy of the Office of Economic Opportunity "to provide for basic education, health care, vocational training, and employment opportunities in rural America, to enable the poor living in rural areas to remain in such areas and become self-sufficient therein." Yet its current appropriations to the two federal agencies particularly charged with antipoverty efforts in rural areas reveal no sense of urgency or high purpose on the part of Congress to honor its own mandate. Its anticipated appropriation to the OEO for fiscal year 1969 of $1.87 billion is $330 million less than it had earlier authorized for that fiscal period. And while this funding level represents an increase of $100 million over fiscal year 1968, many existing programs, in rural and urban areas alike, will have to be cut back because of inflation and Congressionally mandated new programs.

The second revealing funding action by Congress involves the Rural Community Development Service. Early in 1965, President Johnson pledged energetic and effective action to insure that full equality of opportunity would be made available to all the people who live in rural America, and he assigned the responsibility for carrying out this pledge to the U.S. Department of Agriculture. The USDA then created the Rural Community Development Service (RCDS) to mobilize all available resources, within and outside the Department, and focus them on the rural needy. For this challenging mission, the Congress has never assigned funds to the RCDS for any year of its existence of more than .01 of 1 percent of the total USDA budget, and the appropriation of $463,000 for fiscal year 1969 represents but a 3 percent increase over the previous fiscal period. Equally revealing—and sobering—is the fact that the Bureau of the Budget has allotted but $420,000 of this appropriation for the operational use of the RCDS, under the Congressionally mandated $6 billion reduction of the fiscal 1969 federal budget. This means that the RCDS will see its current operating budget cut by some $30,000, compared with its budget for fiscal 1968.

Administrative Response

Some administrative actions within the federal OEO in recent months relative to rural poverty have not been reassuring. Shortly after the Economic Opportunity Act became operative in the fall of 1964, the OEO created a Rural Task Force to keep the needs of the rural poor constantly before the agency and to insure that a fair share of OEO resources would be committed to meet these needs. But, from its very beginning, the Rural Task Force staff has been small, with never more than five or six professionals, and the unit has been buried deep in the OEO bureaucratic hierarchy without the attention, let alone the support, of top OEO executives either in Washington or in the regional offices. And, in a reorganization move over a year ago, the Task Force was demoted organizationally to the status of the Rural Programs Branch.

One of the recommendations of the first NACD Conference on Rural Poverty bore fruit when Congress, in its 1967 EOA amendments, established the position within OEO of an Assistant Director for Rural Affairs. It was hoped that this new director would bring new attention and resources within OEO to bear on rural poverty.

However, a number of concerns have been expressed concerning this new position and its status. First, the President delayed almost five months in making the initial appointment to the position. Second, although the legislation suggested some measure of coordinate status of the Assistant Director for Rural Affairs with the Assistant Director for Community Action in Urban Areas, at present the former has but four professionals on his staff compared with several hundred for urban community action programs. Third, after some four months, the mission of this unit has still not been defined. Fourth, there is serious question concerning whether the often claimed urban bias of the OEO has been at all redressed by either the new legislation or the new appointment. Finally, the fact that the new director is white, as are all of his top staff members, is disconcerting to those who remember that one of every five rural poor persons is black.

Over the years, the evidence offered to support the charge that the OEO has an urban bias has been the disproportionately low funding of community action agencies and programs in rural areas. Figures published by the OEO itself show that the proportion of Title II, or Community Action Program (CAP), grants going to rural areas and programs for fiscal year 1965 was 18 percent. For fiscal year 1966, the figure had risen to 24.7 percent and it rose further to 27 percent for 1967. An informed estimate was that it would be close to 30 percent in 1968. While the steady rise over the past four years in CAP funds for the rural poor is encouraging and proper, the fact remains that the present record of but 30 percent rural CAP grants is still indefensibly low when 43 percent of the nation's poor are rural dwellers.

Scholars and some public officials have pointed out repeatedly that both the U.S. Department of Agriculture and its rural constituencies have been more interested in the increased productivity of land, plants, and animals in rural areas than in the increased productivity of rural people. The Advisory Commission on Rural Poverty, at several points, echoes this charge and complaint but notes with approval that several USDA agencies, notably the FHA, the RCDS, and the Extension Service, have been making stronger efforts to deal with the unique needs of the rural poor.

However, a recent report by the U.S. Commission on Civil Rights of its investigation into the economic security of black citizens living in sixteen "Black Belt" counties in Alabama is less kind in its assessment of USDA agencies and programs. Focusing particularly on the Department's food programs and on the activities of the Farmers

Home Administration and the Cooperative Extension Service, the Commission concludes that these programs are "not intervening effectively at any point to provide people who have been victims of slavery and discrimination with an opportunity to lead decent and productive lives."

At the same time, recent newspaper reports have revealed that, in the years since the Civil Rights Act of 1964 went into effect on January 1, 1965, the Farmers Home Administration has loaned more than $20 million to some 200 segregated recreational facilities in the Deep South. In fairness to the FHA administrator, it should be noted that he was legally supported in these actions until late March of this year by Justice Department and Civil Rights Commission rulings that the loans were exempt from the nondiscrimination provisions of the 1964 act. However, for over three years, the FHA and the USDA have been challenged repeatedly on the ethical propriety of providing federal aid to discriminatory facilities.

LACKING: A NATIONAL COMMITMENT

This record of dissembling, delay, and inaction relative to the demonstrated needs of the rural poor is hard to square with the pronouncements and promises of the top leadership of both political parties. One might, and should, ask why it is that the American people, at the peak of the most sustained period of prosperity this or any other nation has ever enjoyed, are unwilling or unable to alleviate rural poverty more effectively and expeditiously.

The National Advisory Commission on Rural Poverty responds to this question when it says, early in its report:

> The Commission is convinced that the abolition of rural poverty in the United States, perhaps for the first time in any nation, is completely feasible. The nation has the economic resources and the technical means for doing this. What it has lacked, thus far, has been the will.

It is one matter to decry the absence of a commitment by our nation to abolish rural poverty; it is another, and more difficult, matter to outline reasoned and feasible ways of creating such a national commitment. Expose, example, and exhortation have been attempted in recent years to dramatize the plight of the rural poor and to mobilize Americans to a massive and productive response. But the needs of low-income families in rural America remain largely unmet.

The beginning of wisdom in this matter, then, is the realization that without a clear and commanding commitment on the part of the American people to the alleviation or abolition of rural poverty, we should expect neither sudden nor spectacular results. Further, more attention and effort should be devoted to the building and the testing of models that will explain the failure of our generation to solve this serious social problem, even though we have the time, tools, and technical competence needed.

A MODEL: POVERTY, POWER, AND PAYOFFS

The distribution of governmental advantages and disadvantages, through the authoritative allocation of public benefits and costs, is determined in the American political system through the formulation of public policy. The context within which this policy formulation takes place is characterized by pluralism: a social pluralism of numberless, competing interest groups and a governmental pluralism of multiple and often competing decision-making centers.

This matrix of social diversity and governmental fragmentation makes it improbable that any one interest group will dominate and dictate the policy-making processes. Instead, public policy determinations most commonly are made through the process of bargaining, whereby competing interest groups negotiate and accept a mutually beneficial adjustment of differences, with the resulting compromise then ratified as public policy. Stated negatively, any substantial interest group can exercise a veto against public policy decisions deemed injurious to their interest. In this bargaining process, the interest groups with the most bargaining power get the most payoffs from public policy. Conversely, those interest groups with little or no bargaining power tend to be overlooked or disadvantaged in the formulation of public policy.

It is common for those interested in improving the plight and potential of the rural poor to inveigh against the personnel administering the educational-health-welfare complex of agencies and programs in rural America, accusing them of a casual or even a callous response to the rural needy. In saner moments, these critics remember that the mission of these human development agencies and the limits to their resources are defined by legislative action in Washington, in the state capitals, or in county seats; hence, they then criticize the conservative and unprogressive outlook and actions of local and state legislative bodies or the Congress. Also condemned are the dominant agricultural interest groups in rural United States, for their short-sighted, if not irresponsible, devotion to their own selfish interests and their neglect of the tenant farmer, the migrant, the Indian, and other impoverished groups in rural areas.

While the rural poor in recent years have had an increasing number of advocates, their interests have gained or been granted little representation in the bargaining process by which public policy is formulated at all levels of government. The rural poor are without the political bargaining power that their numbers might deserve. They are, almost universally, without organization, without experienced leadership, without recognition (to say nothing of status), and without either a voice or a vote in the decisions that affect them.

On the other hand, the interests of commercial agriculture are well represented, if not overrepresented, in the bargaining process by which public policies and programs are determined for the federal, state, and local governments. Through purposeful and persistent organizational efforts, experienced and professional leadership, and effective and sustained political action, patterns of every-day working relations have been built up over the years between the leadership of the dominant farm groups and those elective or appointive leaders of government whose decisions affect commercial agriculture. These so-called "policy clusters" of mutually reinforcing interests within and outside of the governmental system have resulted in centers of power capable of challenging, or at times dictating, the will of governors, state legislatures, the U.S. Secretary of Agriculture, the entire Congress, or even the President. Operationally, these policy clusters mean political power resulting in positive policies with plentiful payoffs for the privileged of rural America, while the powerlessness of the rural poor leads only to policy neglect and pitiful payoffs.

Two decades ago Saul Alinsky, in his *Reveille for Radicals*, argued that the American poor are poor because they are powerless. They are public dependents because they have had neither the opportunity nor the resources to be independent. The most direct and promising route to the elimination of poverty, Alinsky said, is the sharing of social, economic, and political power with the poor. Since such power has rarely, if ever, been surrendered voluntarily, Alinsky called for the disadvantaged and disenfranchised to organize and demand both participation and payoffs in the public and private sectors alike.

There is a strategy suggested here to supplement and support present efforts to aid the rural poor. Instead of relying on national conferences, public commissions, and reports to expose the personal tragedy and social waste of rural poverty, instead of having liberal organizations and persons appearing before the decision-making bodies of the United States as advocates for the rural poor, let us step up public and private efforts to give a sense of common purpose and direction to the various segments of the rural poor and to help them obtain the organization and techniques of dealing themselves into the American society, economy, and polity. The firmest and most promising fulcrum to bring about change in existing institutions and programs relative to the rural poor is the organized and operational bargaining power of the poor themselves.

Several encouraging experiences to date suggest that the goal of increasing the bargaining power of the rural poor is both feasible and worth seeking. First, there has been limited but encouraging progress toward "the maximum participation of residents of the areas and members of the groups to be served" in the community action agencies organized in rural America under the Economic Opportunity Act. Many noncommercial farmers, nonfarm rural people, and Negroes are now beginning, for the first time, to participate in matters affecting themselves and their families. Efforts in this direction should be continued, strengthened, and expanded. Second, testimony before the National Advisory Commission on Rural Poverty indicates that the best tactics in organizing the rural poor are to identify and train indigenous organizers and direct their efforts toward a goal that is recognizable and relevant to the group involved. Third, the story of the Poor People's Campaign illustrates that limited goals can be obtained if a group of poor persons is public, positive, and persistent in its activities. For, although large numbers of people were not involved in the campaign and although problems of organization and leadership abounded, the widespread publicity and the dogged resolution of the group contributed in a substantial way to the action of the Department of Agriculture in extending its food programs to all of the so-called "hunger counties" and to the expansion of the free school lunch program by the Congress.

The U.S. Department of Agriculture and its agencies can and should play a central role in organizing the poor in rural areas. Already undertaken by USDA agencies have been the organizing of rural community action agencies and the furnishing of technical assistance to them, the organizing and staffing of area development districts, and the training of indigenous leaders and nonprofessional aides. These efforts should be further explored and imaginative new efforts made. The Cooperative Extension Service should recall the contributions it has made, over a period of decades, to the organization of the commercial agriculture sector of rural America and to the strengthening and stabilizing of the institutions related to commercial agriculture. To turn now to the task of sharing the techniques and benefits of organization with the unorganized rural poor would be in keeping with the history and the high accomplishments of the Extension Service.

Readings in Agricultural Policy

Forty-four papers from past National Agricultural Policy Conferences, selected for their current usefulness, have been published in a book, *Readings in Agricultural Policy*, edited by R. J. Hildreth. The articles are grouped into five sections: The Political Environment of Public Problems and Policies; Price and Income Problems and Policies; Foreign Trade and Aid Problems and Policies; Public Investment in Education; and Economic Growth and Development. The book is available from the University of Nebraska Press, Lincoln: Cloth $6.95; paper $3.95.

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